



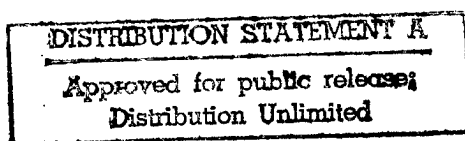
# ***JPRS Report***

## **China**

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## GENERAL

### View of Obstacles to Improved Japanese-Soviet Relations

HK2911083089 Beijing RENMIN RIBAO in Chinese  
19 Nov 89 p 4

[Article by Zhang Guocheng (1728 0948 2052): "Japanese-Soviet Relations as Viewed From Yakovlev's Visit"]

[Text] A Supreme Soviet delegation led by Yakovlev, member of the CPSU Central Committee Political Bureau and secretary of the Central Committee, visited Japan from 12 to 18 November. Yakovlev is the highest-level Soviet leader to visit Japan in recent years. His visit took place at a time when Soviet-U.S. relations are relaxing, Sino-Soviet relations are being normalized, and Soviet-Japanese relations are becoming an urgent issue in Soviet diplomacy. Obviously, both Japan and the Soviet Union took serious account of his visit.

The central issue in the talks between Yakovlev and Japanese leaders was the improvement of Soviet-Japanese relations. Both sides held common views on this issue. They said that the improvement of Soviet-Japanese relations was of major significance and expressed the hope that hard work will be exerted for the establishment of good-neighborly relations between the two countries. However, they also had striking differences of opinion. Yakovlev suggested that neither side should be bound by the "difficult problems" existing between the two countries but should both improve their relations in all fields and establish good-neighborly relations. He expressed disagreement with Japan's principle of "the inseparability of politics and economics" and urged "developing Soviet-Japanese economic relations independently." A review of Gorbachev's May proposal on developing Soviet-Japanese relations by "shelving" the territorial issue makes us strongly feel that the Soviet Union is trying to establish close economic relations with Japan by skirting around the northern territorial problem. The Japanese authorities on the other hand stressed that, since territory is the basic factor constituting a country, the northern territory needs to be returned to Japan before a Japanese-Soviet peace treaty could be signed, which will help improve, among other things, Japanese-Soviet economic relations. This indicates that Japan is aware of the Soviet attempt to push forward economic relations without solving the territorial issue. Evidently the biggest obstacle to improving Soviet-Japanese relations is the northern territorial problem.

When referring to the northern territorial problem during his visit to Japan, Yakovlev said: "Neither the Soviet Union nor Japan can take a step forward on this issue if they obstinately stick to their views. Can we not consider a third program?" When the Japanese prime minister described Japanese-Soviet relations as "food that has been frozen for 44 years," Yakovlev added by

saying: "Food will turn bad if taken out of cold storage too early." "Maybe a miracle conclusion will be reached on the border issue," he pointed out. These remarks aroused great interest in Japanese press circles and there was speculation that the Soviet Union might compromise. The "third program" may be the "simultaneous settlement of political and economic problems," "returning the two islands to Japan," or "Japan and the Soviet Union exercising joint administration over the islands." Some people also speculated that an "opportunity" might present itself when Gorbachev visits Japan the year after next. Therefore there was optimism at the beginning of Yakovlev's visit. But subsequently the Japanese press media pointed out that the Soviet Union was just displaying "a diplomacy of smiles," the purpose being to "break up Japanese public opinion." After his talks with Yakovlev, Japanese Prime Minister Kaifu reiterated that the northern territorial problem should be solved before Japanese-Soviet relations are improved.

As a matter of fact, Yakovlev's visit did not yield any results beyond what had been expected. A positive trend has arisen in Japanese-Soviet relations over the last few years. Foreign ministers of the two countries have met on three occasions since the Soviet foreign minister's visit to Japan last December. The two countries have set up a Japanese-Soviet Peace Treaty Working Group. A large Soviet economic investigation team visited Japan earlier this month and a delegation from the Japanese Liberal Democratic Party will visit the Soviet Union next January.

This suggests that both sides intend to improve their relations. So far, the two countries are only engaged in "outflanking tactics" in terms of diplomatic exchanges and have not made any progress in removing the biggest obstacle—the northern territorial problem. Evidently it is difficult to expect basic improvement in Japanese-Soviet relations while this issue remains unresolved.

## SOUTHEAST ASIA/PACIFIC

### Article Argues Vietnam's Claim to Paracels, Spratlys Untenable

40050685A Beijing GUOJI WENTI YANJIU  
[INTERNATIONAL STUDIES] in Chinese  
No 3, 13 Jul 89 pp 24-28, 38

[Article by Dai Kelai (2071 0668 0171) and Yu Xiangdong (0060 0686 2639): *Phu Bien Tap Luc* and the So-called 'Hoang Sa' and 'Truong Sa' Issue"]

[Text] Since ancient times, the Paracel and Spratly Islands have been Chinese territory over which the People's Republic of China enjoys incontestable sovereignty. Not only has this been recognized by numerous nations of the world, but the Government of Vietnam has also recognized them as being Chinese territory in past official statements and notes, in discussions by government officials, as well as in published newspapers



and periodicals, maps, and textbooks. However, it subsequently acted perfidiously and changed its former standpoint. First, the South Vietnamese authorities, and later the authorities in Hanoi, raised unreasonable territorial demands about China's Paracel and Spratly islands, and occupied some of the islets. As an accompaniment to this expansionist activity, they used every means possible to find a basis for their claim in Vietnamese historical records, to create public opinion in favor of it, and to deceive international society. They declared that the Paracel and Spratly Islands were recorded in ancient Vietnamese texts as the so-called Hoang Sa and Truong Sa, *Phu Bien Tap Luc* [Notes on Frontier Pacification] being the most classic text. In order to uphold the sovereignty of our country's territory, we must study *Phu Bien Tap Luc* and other pertinent records.

### 1. The Authorship and Influence of *Phu Bien Tap Luc*

*Phu Bien Tap Luc* was written in the late Le dynasty during a period of confrontation and dispute between the Nguyen family in the south and the Trinh family in the north. In 1771, the Tay Son Peasant Uprising erupted in Quy Nhan Prefecture, an area under the rule of the southern Nguyen family. In 1774, the northern Trinh ruler, Trinh Sam, the prince of Tinh Do, capitalized on this uprising to send troops southward, occupying parts of Thuan Hoa and Quang Nam, which had been under the separatist rule of the Nguyen family for more than 200 years. At the end of 1774, Trinh Sam brought under his control the government offices at Phu Xuan and made the prefect, [character unknown] The Dat, governor general. In February 1776, when a deputy prime minister named Le Qui Don became the ruler of Thuan Hoa, he reviewed and offered advice on military plans. In August 1778, after holding office for 6 months, Le Qui Don collected considerable materials of various kinds about the period when Quang Nam was under Nguyen family separatist rule, wrote the book *Phu Bien Tap Luc* in order to "leave a record of the times" and as a service to Nguyen family of the south.<sup>1</sup>

*Phu Bien Tap Luc* consists of six volumes, which are a record of Nguyen family rule over Quang Nam (for which both Chinese and Japanese references use the same characters, terming the area the Kingdom of Guangnan and the Kingdom of Kannan respectively. It contains data about socioeconomic life, the politics, culture, and geography of both Thuan Hoa and Quang Nam during the period of Nguyen family rule.<sup>2</sup> It was written before the fall of the Nguyen family in Quang Nam, and relies primarily on data such as was contained in land tax records left by the Nguyen family. Its method of selection and editing was very similar to the style used in local records in China, being all-inclusive. It might be said to be a chronicle of land use. It was written in Chinese characters, and although never printed, it was repeatedly copied and disseminated everywhere, and has always been regarded with respect.

During the early years of the Nguyen Dynasty, many copies of *Phu Bien Tap Luc* were made and put into circulation. During the Minh-Mang Period (1820-1841), when compilation of the national history, *Dai Nam That Luc* began, *Phu Bien Tap Luc* became an important standard reference work.<sup>3</sup> After the French colonialists invaded Nam Ki, French scholars also paid attention to *Phu Bien Tap Luc*. Both P. Legrand de la Lirye and P. Pelliot were familiar with this work.<sup>4</sup>

Since the 1960's, both North Vietnam and South Vietnam have published Vietnamese-language translations of *Phu Bien Tap Luc*. North Vietnam allocated some manpower and material resources to the task of collecting, collating, and translating copies of *Phu Bien Tap Luc* under the supervision of the noted historian Dao Duy Anh. In 1964, Hanoi Science Press published Dao's authoritative translation. In 1972, the Ancient Classics Translation Committee of the Ministry of Culture of the South Vietnam regime published Le Xuan Giao's translation, appending to the end of it the original work in the form of photographs of "wooden printing blocks from the Academy of Antiquities." In 1977, the Hanoi Social Science Press began the serial printing of *The Collected Works of Le Qui Don*, the first volume of which was *Phu Bien Tap Luc* in the Dao Duy Anh translation.

The serious attention that Vietnam accorded *Phu Bien Tap Luc* stemmed not only from Le Qui Don being a famous cultural figure and historian in Vietnamese history, and from *Phu Bien Tap Luc* being a rare record of the Kingdom of Quang Nam, but also from an ulterior motive. Just at the time that the first inkling of a dispute over the Paracel Islands began to appear, South Vietnam trotted out the translation of *Phu Bien Tap Luc*, and the photocopies of the "Academy of Antiquities wooden blocks." However, it provided no explanation of the origin and development of the master copy. We know that many copies were made of *Phu Bien Tap Luc*, and that each one not only contained many typographical errors, but also additions, deletions, and revisions. They differed greatly from each other. The reliability of any single copy is rather suspect. In the process of compiling and translating *Phu Bien Tap Luc*, North Vietnam published a number of evaluations, which repeatedly reiterated the book's value for the study of the history and geography of central and southern Vietnam. Once the Paracel Islands controversy became very heated, not only South Vietnam, but also the authorities in Hanoi, later used certain accounts contained in *Phu Bien Tap Luc* in a vain attempt to demonstrate that China's Paracel Islands are Vietnamese territory. One might say that the serious attention that Vietnam accords *Phu Bien Tap Luc* harbors an evil intent to encroach upon China's sacred territory.

Fairly extensive research certainly shows *Phu Bien Tap Luc* to contain historical data of value that cannot be ignored in the study of the history of south Vietnam, but it also has rather major limitations. It is a "hurriedly written essay" that the author wrote in the course of a

short 6-month period during which he was also burdened with pressing military duties; consequently, it was not carefully compiled nor rigorously edited. It records a motley collection of data. While some important historical events were omitted entirely, some material was duplicated in different places, and no effort was made to ascertain what information was hearsay. The author could not have made a personal on-the-spot survey of the islets in the billowing ocean. Naturally, the data recorded should be carefully studied to determine its credibility.

## 2. Accounts in *Phu Bien Tap Luc* Pertaining to Geography and Their Value

*Phu Bien Tap Luc* was a record of events in Thuan Hoa and Quang Nam, similar in form to a local record. It was also intended to brief the Trinh family rulers on events in the Nam Ha region, and to help provide advice to the Trinh family rulers on this newly occupied region. Therefore, along with political and economic data, it also had to provide information about the geography of the Thuan Hoa-Quang Nam region. The first volume of *Phu Bien Tap Luc* describes historical events in the Thuan Hoa-Quang Nam region, going on to record the names of all the prefectures and counties in Thuan Hoa and Quang Nam, as well as those of constituent villages, communities, towns, and stockaded points. In addition, writings about geography in *Phu Bien Tap Luc* are concentrated mostly in the second volume, titled *The Landscape, Forts and Government Offices, Roads, and Fords in Thuan Hoa and Quang Nam*. The contents of this volume are arranged in a somewhat disorderly fashion; however, it generally follows a main north-south land and sea communications axis from Bac Bo Chinh Chau to Thuan Hoa and Quang Nam, including the associated terrain and landforms, mountains, rivers, islets, river and ocean ports, road layout, residents' produce, border checkpoints, fortifications and military encampments, and such matters having to do with demography and physical geography. The second volume may be divided into three parts in terms of the sources of its material as follows:

First is the part taken from *O Chau Can Luc* [Recent Account of O Chau].

When writing *Phu Bien Tap Luc*, Le Qui Don referred to more than 10 preceding works, notably *Dai Viet Su Ki Toan Thu* [Complete History of the Great Viet Nation], and *O Chau Can Luc*. *O Chau Can Luc* was an eyewitness local government account that Duong Van An wrote during the Mac dynasty in 1555. Volume 2 of *Phu Bien Tap Luc* begins by saying, "Since the beginning of creation, mountains and rivers have existed. Though watch towers on the sides of city gates may differ, the mountains and the rivers endure without change. The mountains, rivers, and seaports of Thuan Hoa that Duong Van An wrote about in *O Chau Can Luc* during the Mac period seem to be the same today, but the city walls and moat, courier routes, and temples differ somewhat from the past and will be described somewhat." Then, Le Qui Don copied portions from *O Chau Can*

*Luc* on mountains and rivers in volume 1, cities in volume 4, and temples in volume 5. However, in the copying process, he simplified the descriptions found in the original book, changed their magnificent style, and rearranged the order of the book's material. However, he added nothing new, nor did he compare and write about changes that had taken place over the course of time.<sup>5</sup>

Second is the part written on the basis of the author's own experiences and investigations.

During the 200-year split between the Trinh and Nguyen, when north and south Vietnam were under separate rule as though they were two countries, the separation between the two was very deep, and they had relatively little knowledge of each other. In the process of "subduing Thuan Hoa and capturing Quang Nam," Le Qui Don, a member of the Trinh army, "drew up plans and took part in the difficult task of carrying them out" after which he became responsible for taking Thuan Hoa. Because of his skill as a historian he "jotted down an account while traversing mountains and rivers, and visiting visiting historical ruins,"<sup>6</sup> leaving behind an account about land routes and geography. In the narration and discussion in volume 2, one can see the places where Le Qui Don traveled. He traveled the land route to his official duties in Thuan Hoa, observing the geographical landforms along the route. Thus, he recorded the number of miles and number of days it would take to travel from Bac Bo Chinh Chau in the north, across the Linh River, into Thuan Hoa; the terrain and landforms; fortifications and encampments; and tax office outposts, and so on. His descriptions included the sand dunes and landscape along the way from Nhat Le Port to Minh Linh Port. At various places, Le Qui Don was able to relate his own observations with historical facts, or to what predecessors had written, and added commentaries.

Third is the part written down on the basis of hearsay.

During the short 6-month period during which Le Qui Don held an official position in Thuan Hoa, government administration was newly established, and countless matters were getting underway. Although he held a position as deputy, one can, nevertheless, imagine how busy he must have been with official matters. This limited his ability to travel about as he might have liked, and to visit historical sites. More important, dramatic changes constantly occurred at that time in the Quang Nam region as the power of the Nguyen family in Tay Son and the Nguyen family in Quang Nam waxed and waned. Although the Trinh family army had gained a lodgment between the two areas, it was unable to consolidate its control over the Quang Nam region. The entire situation was still in turmoil. In October 1775, the Trinh army commander, Hoang Ngu Phuc, abandoned Thang Hoa, Dien Ban Nhi District, Ban Soai Phu Xuan in Quang Nam and quietly observed the conflict between the Nguyen family in Tay Son and the Nguyen family in Quang Nam in order to find out if he could gain any advantage. The objective conditions did not permit Le

Qui Don to conduct on-the-spot observations of the terrain in Quang Nam; consequently, he had no choice but to rely on hearsay in telling about the number of miles and number of days it would take to travel, the terrain, and edifices along the land route from Thuan Hoa to Quang Nam. This is also the major reason why accounts are more detailed for Thuan Hoa than for Quang Nam throughout the entire *Phu Bien Tap Luc*. In addition, accounts in the second volume about events along the sea routes between Thuan Hoa and Quang Nam, port activities, and inshore islets show no evidence that Le Qui Don had set foot there. These parts of the volume are also naturally based on hearsay. In some places, Le Qui Don made this point clear himself.

Of the aforementioned three parts in the second volume, the first part takes up only approximately one-sixth of the total space. The copying from one book to another, such as the copying of parts of *Phu Bien Tap Luc* in *O Chao Can Luc*, was a common practice followed in old histories, and was valuable in preserving historical materials in local records in other historical accounts. The second part occupied approximately three-sixths of the total space. Le Qui Don valued on-site observations, and he was able to combine such observations with the historical knowledge he possessed and with accounts given in other books, thus providing successors with full and accurate firsthand material. This was of fairly high historical value for the study of the physical geography and the demography of the Thuan Hoa region, and cannot be ignored. The third part occupied approximately two-sixths of the total. Conditions made it impossible for Le Qui Don to verify and compare every piece of hearsay. He had to take what he heard at face value. This resulted in erroneous accounts, multiple records of single events, and a confused narration. Consequently, this part is not reliable historical data that can be verified, much less is it "eloquent testimony" that Hoang Sa and Truong Sa are one and the same as China's Paracel and Spratly islands.

### 3. Hoang Sa and Truong Sa Are Not China's Paracel and Spratly Islands

The Vietnamese authorities cast greedy eyes on China's South China Sea islands. In an effort to seize China's territory, they have turned on their propaganda machine, and made an all-out effort to find "confirmation." In 1975, the South Vietnamese authorities issued a "white paper," after which the Saigon quarterly, SU DIA published a "special issue" titled "Special Examination of Hoang Sa and Truong Sa," which insisted on claiming that "Hoang Sa is China's Paracel Islands, and that Truong Sa is China's Spratly Islands. It also trotted out *Phu Bien Tap Luc*, claiming it to be "never before seen complete and accurate data."<sup>7</sup> In October 1979, NHAN DAN in Hanoi also published an article claiming *Phu Bien Tap Luc* to be "a piece of extremely eloquent testimony."<sup>8</sup> Both the South Vietnamese regime and the Hanoi authorities claimed in their white papers that *Phu Bien Tap Luc* is one of the "oldest" and most important

"Vietnamese documents" showing Vietnam's sovereignty over the Hoang Sa Islands.<sup>9</sup> Let us see below just what this "eloquent testimony" actually proves.

*Phu Bien Tap Luc* contains two fairly comprehensive accounts relating to the islets along the coast of Quang Nam. The white papers of both south and north Vietnam, as well as verificative articles that Vietnamese have written, all excerpt various sentences or passages from these two accounts as their proof. We present and analyze these two accounts below.

"Beyond the coastal entrances to Thuan Hoa and Quang Nam, rocky mountains, varying in size, rise from the water to guard the entrance from the sea. At Bac Bien hamlet in An Nhao Village of the then Nan Bo Chin Chau stands a mountain named Cu Lao [character unknown], which lies 4 hours away by ship. At Dan Huong Gate in Dien Phan District stand both Hoan Tra and Hoan Lo, which can be reached in an hour. Beyond Dai Chiem Gate in Thang Hoa District stands a large mountain named Cu Lao Chan, with three peaks facing each other, two of which are large and verdant. There the residents grow citrus fruits and flowers. There is a sweet water spring up in the mountains. The other peak is small and barren. The mountains can be reached in 4 hours. Beyond the coastal entrances at An Vinh Village in Binh San County, Quang Nghi District stands a mountain named Cu Lao The where peasants from Tu Chinh Phuung used to grow beans. It can be reached by sea in 8 hours. Beyond it lies Dai Truong Sa Island, which was formerly a harbor; hence the Hoang Sa Team was formed to explore it. Since this island lies near Bachoi, the team took 3 days to get to it. Each of the coastal gates of Tan Dan, Thi Phu, Nhao [character illegible], and Nhao Man in Quin Han District has mountainous islands containing numerous swallow's nests. The Lap Tinh Chau team was formed to explore them. Beyond Dinh hoi in Binh Thuan District stands a mountain named Con Luan, which is many miles wide, and which also has numerous swallow's nests. Beyond it lies a mountain named Cu Lao [character illegible], where there was formerly a harbor. The Hoi Mon team was formed to explore it. Off the coastal gates of Gia Dinh District stands a mountain named Con Luan, and beyond Ha Tien Village stands the Dai Quan Luan Mountain, where people live.

"An Vinh Village in Binh San County in Quang Nghi District is near the sea. The sea to the northeast of it is dotted with islets having more than 130 peaks.<sup>10</sup> It takes several hours to a day to travel by sea from one of these mountains to another. The mountains have fresh water springs, and among the islands is Hoang Sa Islet<sup>11</sup>, which is 30-odd miles long, and is flat and wide. The surrounding water is clear all the way to the bottom. Around the island are countless swallow's nests with tens of thousands of birds who are not afraid of man. There are also many kinds of exotic creatures on the islands. One is a veined conch called Vo Cong Vei, which is as large as a floor mat. Pearls as large as a finger grow on its underside. They are murky in color, not like pearls from

oysters. Their shells can be cut to make steles or used to whiten mud homes. One kind, called Che Du, can be used for ornamentation. The flesh of all of them can be salted for food. The hawksbill turtles on this island are big. One is called Hai Ba. One, called Duan Nghi locally, resembles a hawksbill turtle, but is smaller. Its shell is thin and can be made into ornaments. Its eggs are as big as a thumb, and its head can be salted for food. Sea slugs, known locally as tutu, are found in the waters around the islets. If they are to be eaten, they must first be rubbed with limestone powder, gutted and sun dried, and then marinated in crabmeat soup. Alternatively, they may be simmered with shrimp or pork. Many storm-wrecked aboriginal ships may be found on these islands.<sup>14</sup> The former Nguyen family set up a 70-man Hoang Sa team, composed of residents of Vinh An Village, who were ordered in January and February each year to take turns exploring the islands. They were issued rice sufficient for 6 months, and sailed to the islands in five fishing boats on a journey requiring 3 days and 3 nights. They could gather things as they pleased while there, and they caught fish and birds for food. They filled the ship's cargo with swords, silver flowers, silver coins, and silver rings; copper utensils, tin ingots, rifles made of dark lead, ivory, and wax ritual vessels and porcelains. Near the shore, they found hawksbill turtles, sea slugs, and numerous veined conch pearls. They remained on the islands for 8 months, then returned to Phu Xuan, where they submitted their finds for inspection. After weighing and identifying the finds, they were given claim tickets permitting them to sell the conches and sea slugs. The quantity of their finds varied; sometimes they returned empty-handed. The team's books<sup>13</sup> showed it obtained 30 silver ingots in the year of Renzi<sup>14</sup> [Vietnamese year names given in Chinese pronunciation], 5,100 jin of tin in the year of Jiashen<sup>15</sup>, and 126 silver ingots in the year of Yiyu<sup>16</sup>. However, in each of the 5 years from the year of Zhichou to the year of Guihai, they brought home only several jin of turtle shells and Hai Ba, and occasionally some tin ingots, stone blocks, and two brass rifles. The Nguyen family also formed the North Sea team with no fixed number of members, manning it with residents of Tu Chinh Village or Canh Duong Village in Binh Thuan District. Residents willing to join the team were issued a permit and exempted from the payment of sailing fees on travel in small fishing boats to places in the northern sea such as Con Luan, Dieu Lao and Ha Tien. In the northern sea they caught turtles, Hai Ba, dolphins, fish, and sea slugs. This team was under the command of the Hoang Sa team. It caught only marine products, seldom finding gold and silver. Hoang Sa Islet is near the sea south of Liem Chau. On their way to this islet, members of the team talked at sea with fishermen from the northern country, and they often saw the magistrates from Van Xuong in Quynh Chau. As recorded in an official Thuan Hoa document, during the sixth month of the 18th year of the reign of the Emperor Qianlong, 10 soldiers from An Binh Village, who were members of the cutting and inlaying team from Chuong Nghi County in Quang Nghi District in Annam, sailed to Van Ly and Truong Sa to see what they could find. Eight

went ashore, leaving only two to look after the boat. A gale broke away the anchor, and blew the boat into Than Lan Harbor. The local official verified the incident and sent the soldiers back to An Binh Village. Nguyen Phuc Khoat ordered the inspection officer at Thuan Hoa to write a letter of appreciation to the official."

From the foregoing account, we can see, first, that numerous islets and sandbars are scattered southward from Cu Lao [character unknown] near Nam Bo Chinh Chau to Dai Kun Luan. They lie several hours' to a day's ride away from the coast of Vietnam by ship. The most distant of them, Dai Truong Sa and Hoang Sa Islands, take 3 days and 3 nights to reach. Since the Hoang Sa fleet was made up of small fishing craft, whose speed was far less than that of large ocean-going ships, the place reached after a trip of 3 days and 3 nights could only be islets located not far from Vietnam's seacoast rather than China's Paracel Islands, located 200 nautical miles from Thuan Hoa. Much less could they be China's Spratly archipelago. Le Qui Don's description of them as crags rising from the sea "beyond the ports of Quang Nam and Thuan Hoa" also suggests inshore islets and shoals.

Second, although Le Qui Don referred to "Huang Sa Islands and "Dai Truong Sa Island," he did not use the term "Hoang Sa Archipelago." Since both "Hoang Sa Island," and "Truong Sa Island" hold such a prominent place in *Phu Bien Tap Luc*, references to them being followed in quite a few subsequent historical accounts, after the Nguyen dynasty, Hoang Sa and Truong Sa came to be used to mean the islets and shoals located along the central coast of Vietnam.<sup>18</sup> In modern times, however, the South Vietnamese authorities distorted the historical account. Stealthily substituting one thing for another, they applied the names Hoang Sa and Truong Sa to China's Paracel and Spratly archipelagoes, thereby creating the so-called "Hoang Sa" and "Truong Sa" issue.

Third, the same route was used to get to both Hoang Sa Islet and Dai Truong Sa Island. Both of these places yielded marine products that were loaded onto ships. Both places were the main site where the Hoang Sa fleet pursued its livelihood. Thus, Hoang Sa Islet and Dai Truong Sa Island are actually one and the same place. In terms of location and area, Cu Lao The, located inshore from An Vinh Village in Binh San County, Quang Nghi Prefecture, is more than 30 miles wide, and is the same place as Hoang Sa Islet, located in the same place, being "more than 30 miles long and broad in area." People's testimony about the terrain and land forms near Hoang Sa Islet, and other Chinese and Vietnamese accounts show that Hoang Sa Islet is not the same as China's Paracel Archipelago, but rather that Hoang Sa Islet is Ly Island, located northeast of Binh San County in Quang Nghi Prefecture.<sup>19</sup> I believe Hoang Sa Islet, Dai Truong Sa Islet, and Cu Lao The all to be Ly Island. Cu Lao The is Ly Island. The sound of the place in Vietnamese also shows this, and the North Vietnamese translation also translates Cu Lao The as Cu Lao Li. Hidden shoals along it for a distance of approximately 30 miles have been

named the Fu-er-ta [phonetic] hidden shoals by foreigners. They are located in what the occidentals referred to before the 19th and 20th centuries as the old Bolla-sa-ier [phonetic] danger zone. In ancient times, when merchant ships plying inshore encountered storms, they might have easily run aground on reefs and shoals here and lost their cargoes. In 1701, a missionary traveling aboard the "Reine de la Mer" said in a letter that "Hoang Sa is a group of islands belonging to the Empire of Annam." They are "spread along the coast of Nam Ha." We know that "Nam Ha" was the name for Thuan Hoa and Quang Nam during the period when it was cut off by the Nguyen family in Quang Nam. This also shows Hoang Sa to be an islet close to the shore of Thuan Hoa and Quang Nam. Because of frequent shipwrecks here, it also gained a bad reputation.<sup>20</sup> During the Nguyen dynasty, the Ministry of Works declared that "of all the coastal areas and territories, Hoang Sa is the most strategically located."<sup>21</sup>

Fourth, in addition to the quotations given above, the second volume of *Phu Bien Tap Luc* also refers to "Truong Sa" in many places. For example, it related that, according to *O Chau Can Luc*, it took 2 days to go from Nhat Le Port (Khanh Loc) to Minh Linh Port (Minh Linh), "the water and the land routes being of equal length." This area was called "Dai Truong Sa" [Large Sand Bank]. The area from Tu Viet Port (Vo Xuong) to To Khach Port (To Vinh) was called "Dai Truong Sa." Nhuyen Port (Kim Tra) was called "Tieu Truong Sa" [Little Sand Bank]. According to an account that Dinh Van Phu wrote when he traveled to 28 ports along the coast of Thuan Hoa and Quang Nam, "A long shoal extends for 3 miles" outside Dai Anh Port in San Nam. The port is large but shallow... This account shows that "Truong Sa" implies and suggests the following several conditions: First, it suggests a sandy coastal beach. A Vietnamese named Thai Van Kiem has acknowledged that the "Truong Sa" referred to in both *Hong Dac Phien Do* and *O Chau Can Luc* means the vast white sandy seacoast of Quang Binh, and not to an "archipelago."<sup>22</sup> The "Truong Sa" that *Phu Bien Tap Luc* refers to, according to *O Chau Can Luc*, is naturally also a white sand strip along the seacoast. The second matter is coastal sandbars. Because of the scouring of numerous rivers, vast areas of sandbars frequently form along inshore areas of Vietnam, rising above or lying beneath the water's surface. Of the 28 aforementioned seaports, 20 contain either hidden sandbars or flat sandy areas on both shores; some sandbars become obstacles or danger zones for shipping. Finally, there is the reference to inshore islets such as Dai Truong Sa Island and Van Ly Truong Sa. Dai Truong Sa Island has been previously discussed. According to "A Complete Map of All Dai Nam" drawn during the Nguyen dynasty period after 1910, Van Ly Truong Sa is located parallel with the coast of central Vietnam and not far from the Vietnamese coast. It is not in the geographical position of China's Spratly Islands.<sup>23</sup>

The South Vietnamese authorities made *Phu Bien Tap Luc* their primary basis. They made a big to-do about the

so-called Hoang Sa issue, misleading public opinion, deceiving themselves, and deceiving others. But, when people carefully read *Phu Bien Tap Luc*, its "eloquent testimony" that Hoang Sa and Truong Sa are China's Paracel and Spratly Islands becomes powerful testimony that refutes this lie. It turns out that *Phu Bien Tap Luc* proves that Hoang Sa and Truong Sa are islets and sandbars along the coast of central Vietnam, and not China's Paracel and Spratly archipelagoes. Its account of the Hoang Sa and Truong Sa islets along the central coast of Vietnam contain numerous fuzzy and insufficiently clear portions; nevertheless, it proves extremely clearly that Hoang Sa and Truong San are not China's Paracel and Spratly archipelagoes.

#### Footnotes

1. See *Phu Bien Tap Luc*, author's preface, and Ngo Thi Si's postscript.
2. See Vu Huong Dong, "The Substance of *Phu Bien Tap Luc* and Its Historical Value," carried in BULLETIN OF THE CHINESE SOUTHEAST ASIAN STUDIES ASSOCIATION, issues of the first and second quarters of 1988.
3. See *Collected Works of Le Qui Don*, preface to volume 1. Hanoi Social Sciences Press, 1977, Vietnamese-language issue.
4. See Dao Duy Anh: *Phu Bien Tap Luc*, and its translation carried in Vietnam HISTORICAL STUDIES, entire 64th issue of July 1964.
5. For details, see Vu Huong Dong: "Conventional Relationships Between *Phu Bien Tap Luc* and Several Other Historical Accounts," in INDOCHINA, Fourth Quarter, 1988.
6. *Phu Bien Tap Luc*, Le Qui Thon's author's preface.
7. Dai Kelai [2071 0668 0171] translation of *Special Study of Hoang Sa and Truong Sa*, Commercial Press, 1978, p 26.
8. Vo Hai Au, "Vietnam's Sovereignty Over the Hoang Sa and Truong Sa Archipelagoes Extremely Clearly Will Brook No Contention," carried in the 10-13 October 1979 issues of Vietnam's NHAN DAN.
9. See Dai Kelai, "Riddled With Inconsistencies. Efforts to Hide Mistakes Only Make Them More Conspicuous— A Criticism of Differences in Two Vietnamese White Papers on the Paracel Islands and Spratly Islands Ownership Issue," originally published in the 9 June 1986 issue of GUANGMING RIBAO, and incorporated into the book, *The Paracel Islands and the Spratly Islands Have Been Chinese Territory Since Ancient Times*, People's Press, 1981.
10. "Academy of Antiquities": "More Than 110 Peaks."
11. A sand bank, meaning a "very long sand bar."
12. Today's Thuan Hoa.

13. That is, Nguyen Ke Toan.
14. 1702.
15. 1704.
16. 1705.
17. 1709-1713.
18. A Vietnamese, Han Nguyen said, "Later on, during French rule, the term Hoang Sa came to be used to mean northern islets, and Truong Sa came to mean southern islets." See Dai Kelai's translation of *Special Study*, p 50.
19. See articles by Han Zhenhua [7281 2182 5478], Wu Fengbin [0702 7685 2430] and Guo Yongfang [6753 3057 5364] contained in *The Paracel Islands and the Spratly Islands Have Been Chinese Territory Since Ancient Times*.
20. Dai Kelai translation of *Special Study*, quotations from p 100.
21. *Dai Nam That Luc*, second issue of authorized edition, p 165.
22. Dai Kelai's translation of *Special Study*, p 217.
23. See map in the front of Dai Kelai's translation of *Special Study*.

## NEAR EAST/SOUTH ASIA

### Divisions Arise Within Regional Cooperation Association

90ON0116A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 19, 1 Oct 89 p 5

[Article by Zhao Hui (0340 1979): "South Asian Association for Regional Cooperation Faces Difficult Situation"]

[Text] The seven-nation South Asian Association for Regional Cooperation, made up of Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka, has held four heads-of-state conferences and many foreign ministers meetings since its founding in 1985. Another foreign ministers meeting slated to be held in Islamabad in July 1989 had to be postponed indefinitely because of a Sri Lanka boycott. The fifth heads-of-state conference, which was to be held in Colombo in November, will also be postponed until March 1990. This is the first time in the history of the association that a conference planned ahead of time will not be held as scheduled. Why did such a situation occur?

Conflict between India and Sri Lanka was the fuse that ignited the crisis. Although India and Sri Lanka signed a peace accord on 29 July 1987, the events of the past 2 years demonstrate that the agreement has not brought peace for Sri Lanka. On 1 June 1989, Sri Lankan President Ranasinghe Premadasa formally requested that India withdraw its troops on 29 July, the second

anniversary of the pact between India and Sri Lanka, only to have India refuse. For this reason, Sri Lanka refused to attend the South Asian Association for Regional Cooperation foreign ministers conference to be held in Islamabad in early July. Pakistan was the presiding chairman of this session of the South Asian Association for Regional Cooperation. Since this foreign ministers conference was a preparatory conference for a heads-of-state conference, postponement of the foreign ministers conference inevitably meant that the heads-of-state conference could not be held as scheduled. Consequently, the Pakistani foreign minister visited both Sri Lanka and India in late July to mediate between the two countries in an effort to revive the foreign ministers conference so that the heads-of-state conference could be held without hitch. Yet another member nation, Bangladesh, also dispatched its foreign minister in a lobbying effort to convince Sri Lanka and India to come to terms in order to avoid deepening the crisis in the South Asian Association for Regional Cooperation. None of these efforts succeeded, however. In order to forestall Sri Lanka from using the heads-of-state conference to pressure India to withdraw its forces, during his visit to Pakistan, Rajiv Gandhi indicated that because of India's involvement with a major domestic election, he could not get away to attend the heads-of-state conference, which he proposed be postponed.

Foreign opinion maintains that the crisis that has now occurred in the South Asian Association for Regional Cooperation is deeply rooted in politics and economics. This association has always been a loose organization in which economic cooperation has been very limited. Very few of the projects in agreed upon fields of cooperation have been implemented, and the association is a long way from achieving the originally envisioned "collective self-reliance and promotion of common prosperity." Political cooperation has only created a good atmosphere for the improvement of bilateral relations, providing the heads of state of each country a chance to meet regularly, but it has been hard put to speak with "a single voice to the outside world" as do the ASEAN countries.

1. The various countries that comprise the South Asian Association for Regional Cooperation differ in size and circumstances. Their attitude about regional cooperation and their motivations for taking part in the South Asian Association for Regional Cooperation are not the same. India, as the largest country in South Asia, far surpasses all the other countries in terms of natural conditions and economic strength. India's land area totals 2.5 times that of the other 6 small countries combined, and its population is 3 times their combined population. India seeks to use its large nation position and power to become the natural "association head." The other small countries hope to use the association to restrain India politically and to spur India to agree to enter into substantive economic cooperation. In addition, each of the small countries can increase cooperation with each other to bolster their independent and sovereign position.

Meeting together, each with its own "selfish calculations," one might say that from the very beginning the South Asian Association for Regional Cooperation was not solid, and that progress in cooperation was bound to be filled with difficulties and detours.

2. There is a fragile basis for political cooperation. South Asia is the part of the world in which the most bilateral conflicts exist, and these bilateral conflicts are, for the most part, conflicts between India and the other smaller countries. India is territorially contiguous with, or separated by a little water from the other six South Asian countries, and the other six countries are not contiguous with each other. Thus, India has bilateral conflicts in varying degrees with each of the other countries of South Asia. India and Pakistan have long been at odds, and a conflict exists between them over Kashmir. Since it became independent, Pakistan has had three wars with India, and both countries also charge each other with developing nuclear weapons. Problems exist between India and Bangladesh over the distribution of Ganges River water, the ownership of some islets, and ocean boundaries. Problems exist between India and Sri Lanka about stateless Indians, and they now face the problem of the withdrawal of Indian forces. Problems exist between India and Nepal about trade and transit. They also have problems about the distribution of river water and conflicts over small bits of territory. Similar problems also exist between India and Bhutan and the Maldives. Since India maintains its own position in these conflicts, and since the South Asian Association for Regional Cooperation does not permit discussion of bilateral problems and disputes, this organization cannot resolve internal conflicts. On international issues, differences also exist between India and the other countries. The association can hardly take a unified line toward the outside world.

3. Economic cooperation is not based on mutual benefit and mutual assistance, nor is it wide-ranging. Most South Asian countries are poor in natural resources. They engage primarily in agricultural production; most of their exports and imports are similar; and they have to import fuels such as petroleum. Their exports compete with each other. For example, both India and Sri Lanka export tea; both India and Bangladesh export jute and jute products; India and Pakistan export cotton and textiles, and the main trading partners of each of the countries are developed Western countries and western Asian regions. Interregional trade links are few, and internal trade is small in proportion to external trade. Except for India, the amount of needed advanced technology and products that these countries can provide one another is extremely small. India is now in a position to provide neighboring countries with intermediate-technology industrial equipment and some consumer goods. Furthermore, transportation lines are short and freight costs low; however, the other countries harbor many doubts; consequently cooperation of all kinds is limited. The areas of cooperation already agreed upon are mostly in the categories of science and technology,

cultural exchange, and academic discussion. In the substantive areas of trade, industry, finance, and currency, no progress has been made.

Internal capital is lacking and foreign assistance has not been forthcoming. Figured in terms of member-nation land area, population, and the gross output value of domestic production, the fund that the South Asian Association for Regional Cooperation has put together is sufficient only for the expenses of its permanent secretariat and related conferences. International organizations concerned have promised financial assistance, but they have yet to provide it. Funding difficulties have become an element restricting South Asian regional cooperation.

Foreign commentators maintain that, overall, each of the countries of South Asia hopes to main this association, and they long to spark the economic development of all of the countries through regional cooperation. However, whether this process will develop smoothly depends, to a very great extent, on India's policies toward its neighbors, which is to say that India's bilateral relations with neighboring countries determine regional relationships.

## WEST EUROPE

### Paris Demonstration in Support of Democracy Movement

40050681A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 142, 1 Aug 89 pp 19-20

[Article by Mu Mu (4476 3668)]

[Text] A powerful cry is being heard in the streets and lanes of European cities: "Oppose the bloody suppression of the students by the Li Peng government!"

This was the strong impression Mr Wen Hui [3306 6540] and I gained from observations we made in our travels in Eastern and Western Europe during June and July.

In Western Europe, Paris made the deepest impression on us. We know that in Bonn there is a marathon protest demonstration being held in front of the Chinese Embassy from 10 July to 1 October, and in Brussels we saw posters in many places written in both Chinese and French demanding that China institute democracy and freedom. However, because we remained in Paris a bit longer and especially because there was more activity there, we feel that sympathy and support for the Chinese democracy movement exists virtually everywhere in the capital of this "human rights country."

At noon on 12 July, a goddess of democracy statue was unveiled at La Villette. Measuring 6.5 meters tall, it was executed by sculptors Geng Qingzhi [5105 1987 2535] and Wan Mali [8001 3854 5461]. Wuer Kaixi, who was making his first public appearance since arriving in France, participated in the ceremony. The unveiling was presided over by French Minister of Culture Jack Lang.



When asked by reporters if Beijing might lodge a protest over the erection of the goddess of democracy statue, he frankly replied, "They have that right. However, we give our support to the Chinese democratic movement without any hesitancy whatsoever."

Looking up at the torch held high by the goddess of democracy, I suddenly felt that the flames were alive and that they were illuminating the sky from Paris to Beijing.

At 1700 on 12 July, "Chinese Democracy House," a creation of the "Paris-Beijing Committee," was opened. Taking part in the ceremony were Paris Mayor Jacques Chirac, Jack Lang, Education Minister Lionel Jospin, Minister of Health Claude Evin, President of the National Assembly Madame Fabius, and a number of other public figures, including scholars, film stars, opposition party notables, and responsible people from other organizations. Yan Jiaqi and Wuer Kaixi also took part in the Democracy House gathering. Located in the Latin Quarter, Democracy House was presented by the Yves Saint Laurent Company, which has severed commercial contact with the Chinese mainland. At the opening ceremony, Yves Saint Laurent general manager Pierre Berger delivered an address in which he expressed his "extreme regret that each generation has to pay an intolerably bitter price for Marxism-Leninism." He said, "Our gathering here has an exemplary value."

The climax of activities celebrating the 200th anniversary of the great French Revolution took place on 13 and 14 July. A huge parade on the evening of the 13th was the climax of the climax. By 1700, spectators were already sitting tightly packed on the broad sidewalks on both sides of what is now the world's largest "open-air arena" that extends from the Arc de Triomphe to Place de la Concorde. With difficulty we inched our way along where the spectators were sitting to a corner of the square. There we were surrounded face to face by young men and women who, clutching scraps of paper, solemnly asked for our signatures. We were, in fact, signing our names in support of the Chinese democracy movement. They had set up a stall to collect signatures and, using the lamppost, had hung up posters condemning Beijing's bloody suppressors. They had even put up photographs of Deng Xiaoping and Li Peng to exhibit before the people. There were more than 30 young people collecting signatures. You might think that they were Overseas Chinese students. But, no, they were all French.

In countries that respect human rights, people regard their natural duty to be the support of human rights movements in those countries lacking these rights. People's concern for people. People helping people. This is human nature. It is the essence of human nature and a mark of civilized countries. For a country to regard this type of activity as "interfering in the internal politics of another country" only proves that country to be uncivilized.

The evening of the 14th, the first contingent of Overseas Chinese students joined the parade at the Arc de Triomphe.

Dressed in black, they wore white cloth headbands with "liberty, equality, fraternity," written on them. Pushing bicycles, they clustered around a large red drum with "Love liberty, equality, and fraternity" written on it. Accompanied by mournful music, they slowly made their way down the grand Champs-Elysees Avenue. The silent contingent reminded people of the tragic Tiananmen struggle. Countless spectators on both sides of the route shouted "freedom," "victory." Some raised their arms making the "V" sign. Some of the French even removed their hats to salute the Overseas Chinese students. During the 2 hours that the parade lasted, the unscheduled activities of the Chinese students elicited the most intense reaction. The support that the French gave the Chinese and the democracy movement moved many of the Chinese among the spectators to tears and at the same time the faces of the Chinese students were likewise glistening.

On 20 July, Yan Jiaqi, Wuer Kaixi, Wan Runnan [8001 3387 0589], Su Shaozhi [5685 4801 2520], and Liu Binyan announced at a Paris press conference a proposal for the preliminary organization of a "Democratic Chinese Front," which called on sympathetic Chinese to strive for the support of world humanitarian forces to advance the democratization process in China to a higher stage. French media paid unusually close attention to the voices of these five democracy movement leaders. French authorities have been taking good care of Wuer Kaixi and other Chinese intellectuals in exile not only by admitting them, but also by keeping their temporary residences highly secret. Even reporters cannot contact them directly. The Paris media have greatly objected. However, French authorities have persisted in maintaining secrecy in order to guarantee the personal security of the exiles.

Thanks to the help of French friends, we met with Su Shaozhi and other "mystery personages" at a "mystery location." In discussing the future of the Chinese democracy movement, they were all—in the commonly used words of the news world—"cautiously optimistic."

In looking at the great disarray with which the present Beijing regime and Communist Party nerve center conducted their last-ditch stand, would not any knowledgeable person be optimistic?

Perhaps the Communist Party thinks that what it once considered a bad thing was actually a good thing, in that forcing university scholars with differing political views into overseas exile prior to the democratic movement had the fortunate effect of weakening "counterrevolutionary" forces on the mainland. We feel this view is absolutely wrong. The exiles are patriots. They unquestionably are opening another battlefield abroad dedicated to forming a great unified democratic alliance of Chinese throughout the world. This will greatly inspire



and support the democratic movement on the mainland. With this type of inspiration and support, the Chinese democratic movement, with each wave higher than the other, will drown the corrupt and evil despotic system.

### **Analysis of FRG Reaction to Tiananmen 'Massacre'**

40050680A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 142, 1 Aug 89 pp 24-25

[Article by Liao Tianqi (1675 1131 3825) from West Germany]

[Text] From the Christian Democratic Union-Christian Social Union and the Free Democratic Party, who are in power, to the Social Democratic Party and the Greens, who are out of power, the Parliament of the Federal Republic of West Germany expressed deep indignation at the inhuman conduct of the Communist Chinese Government that, with total disregard for world opinion, had immediately sentenced to death members of the democracy movement—three in Shanghai and seven in Beijing. They observed a minute of silence while in session, after which members from all parties vied to comment on the situation and denounced the savage acts of the Beijing authorities, with some members breaking into tears. As Germans who know the pain of extreme cruelty, they can easily understand the tragedy of innocent people being humiliated and massacred.

The "June 4th Massacre," the subsequent accusations initiated by the CPC, the arrest of democratic movement members, and the propaganda and lies aimed to cover up the true picture caused the Parliament of the Federal Republic of Germany to propose two resolutions that called for the West German Government to exert stronger measures on the Communist Chinese Government. Important sections of the second resolution passed on 15 June are summarized and translated as follows:

The Federal Republic of Germany expresses great shock over the manner the Chinese authorities (translator's note: this term, which is "machthaber" in the original, implies nonrecognition of them as representing the government of China) suppressed nonviolent demonstrations by students and the unarmed masses of people that resulted in bloodshed. Using arms and weapons to deal with people demonstrating peacefully for democracy is a serious assault on human rights.

The Parliament of the Federal Republic of Germany mourns for those who suffered under brutal military suppression.

The Parliament further requests the Chinese leadership to immediately cancel martial law, cease all arrests and spy-informer activities, release political prisoners, and initiate a political dialogue with various social elements.

Under conditions of coercion and highhandedness, China's future and economic modernization are earmarked for failure.

This most recent incident has exposed the way police states have in recent years violated the human rights of masses of people, including that of people in Tibet, where a state of martial law is still in effect.

The Parliament of the Federal Republic of Germany hopes very much that the effort China (the government) had expended on opening up to the outside and steering herself on the road to democracy can continue, and that a dialogue can be actively initiated with "movements fighting for more democracy" in a nonmilitary format.

The Parliament agrees that the Federal Republic of Germany and other partners in the European Community (EC), the United States, and other friendly nations in the world should take a consistent attitude toward this matter.

The Parliament of the Federal Republic of Germany expresses anger toward the German Democratic Republic (East Germany) who is one of a few nations in the world to recognize and support China's use of military suppression to "attack counterrevolutionary turmoil."

The Parliament of the Federal Republic of Germany agrees that:

- All high-level contacts with the Chinese Government be canceled.
- All member nations of the EC should terminate exporting weapons and military supplies to China.
- Chairman Jacques Delors of the EC Commission should refuse to meet with China's Minister of Foreign Economic Relations and Trade.
- President Bush of the United States is right to order that military cooperation with China be stopped and all export of military weapons to China be suspended.
- The proposal by President Bush for international discussion on future policy toward China should be considered.

The Parliament of the Federal Republic of Germany requests the federal government to:

- Cancel high-level contacts, but explore all possibilities for other avenues of dialogue, so the Chinese leadership can understand our concern and our hope.
- Review areas of cooperation between West Germany and China—continuing only those of direct benefit to people, and setting aside any new items of economic assistance until conditions have returned to normal.
- Effectively assist those who are wounded and bloodied by suppression.
- Review China's political situation and its possible effect on China's privileged status in COCOM [Coordinating Committee on Export Controls] in Paris.
- Disallow all exports of weapons of war and other military materiel to China.
- Suspend export of all equipment that will strengthen the police force.

- Strongly urge the UN General Assembly and the Human Rights Commission to deal quickly with the problem of human rights violations in China.
- See that the Organization of Economic Cooperation and Development (OECD) and the EC take the same steps in handling this situation.

The Parliament of the Federal Republic of Germany commends its German diplomats and members of the press for their outstanding work. It requests the government to assist German nationals still remaining in China to leave and return to Germany, particularly students and scholars with German citizenship, but including also businessmen living in the provinces who are stranded there. It also requests the government to advise people not to plan trips to China in the near future.

The federal government should provide medical assistance, through the German Red Cross, to those injured during this incident, and also apply pressure on the Chinese Government to see that this aid is used.

The Parliament also requests the government to:

- Extend to Chinese citizens presently in Germany the possibility of having their stay extended if they so wish.
- Provide support to Chinese students studying here who apply for assistance because of dire straits resulting from this incident to help them meet essential needs.
- Help Chinese citizens here who vocally support the "movement for more democracy" in such ways that they would not be criminally oppressed or threatened.

The Parliament of the Federal Republic of Germany emphasizes that it will only be on the premise of basic respect for human rights by the Chinese Government in the future that the German-Chinese relationship can develop positively. The federal government should try to influence China to join the United Nations' two human

rights organizations. The Parliament deeply hopes that the Chinese leadership can return to a policy of "dialogue and openness."

As a great economic nation, the Government of West Germany has always adopted the posture of a small nation in the area of foreign affairs. It has taken a conservative and passive approach to China, whether it involves cultural and scholarly exchanges, economic assistance, or technological cooperation, totally out of keeping with its strong economic independence and creative policies. The "June 4th Massacre" has given German political circles a great shock, and the effect of parliamentary resolutions just described can be far-reaching.

Because the Chinese Communists need to concentrate their energies on dealing with the United States, they have not shown any noticeable reaction to similar measures adopted by the countries of Western Europe toward them, except for some veiled threats—that whoever retreats from China's economic market will be replaced by other competitors. With respect to the repeated calls for condemnation and sanctions made by foreign ministers of 12 nations of the EC on 27 June, the Communist Chinese regime only rebuked them as "unwise" and damaging to the "relationship between the two sides."

At present, faced with pressure from calls for international justice, the regime held together by the CPC triumvirate of Deng [Xiaoping], Li [Peng], and Yang [Shangkun] is having difficulties internally and externally. The "reformists" have fallen from power, and brain trust figures are either in hiding or have escaped. Can this kind of government continue to talk about reform? The only way out for those in power now is for them to immediately put down their butcher knives and face the judgment of the Chinese people and international justice.

**Evolution From Traditional to Modern Socialism**

90ON0159A Beijing MAKESIZHUYI YANJIU  
[STUDIES ON MARXISM] in Chinese  
No 3, 20 Sep 89 pp 10-29

[Article by Gao Fang (7559 2397), CPC Central Committee adviser, vice president of the Society for Research and Reforms of the Chinese Political Structure, and director of the International Political Research Institute of the People's University of China: "From Traditional Socialism to Modern Socialism"]

**[Text] I. What Is Traditional Socialism? What Is Modern Socialism?**

In the 10 years since the 3d Plenary Session of the 11th CPC Central Committee, China has been moving from traditional socialism to modern socialism. Everybody experienced and participated in this change and acquired a good deal of perceptual knowledge. To bring about this change more successfully and promptly, it is imperative that we raise the level of rational knowledge and further our understanding on a theoretical level.

Traditional socialism and modern socialism prevail at different points in time and differ greatly in substance. But they have one basic similarity. That is, both are essentially socialism.

What is socialism? In principle, it is the successor and replacement of, antithesis to, and innovation upon capitalism. It is a new social system and social formation that inherits the various achievements of capitalism while overcoming its inherent weaknesses, and is superior to capitalism. Socialism has these basic attributes. First, politically, power belongs to the proletariat and the working masses. They exercise the power to run the country and manage society. Second, economically, there is the social public ownership of means of production. The ultimate goal is to abolish the exploitation system and the exploiting class and to return to the working people the surplus value they create. Other important attributes are the creation of highly developed productive forces, distribution according to work, a planned economy, and a flourishing culture.

It has been 40 years since modern socialism was born in 16th century Europe. By and large, socialism has gone through four stages, each with its own ideology:

A. Utopian socialism, from early 16th century to mid-19th century. This stage began with the publication of *Utopia* by the Englishman Thomas More in 1516 and closed with the completion of *New Moral World* by Robert Owen, another Englishman, in 1844.

B. Scientific socialism, from 1844 to 1917. In 1844, Marx and Engels completed their transition from democrats to communists. They inherited the logical and positive elements of utopian socialism and discarded its idealism to create scientific socialism. They spent their lives enriching and furthering socialism and struggling to put it into practice alongside many other pioneers.

C. From the triumph of the October Revolution in 1917 to the death of Stalin in 1953. Socialism was transformed from theory to practice for the first time with its victory in Russia. For 6 years under Lenin's leadership, the Soviet Union made the first exploratory forays into socialism. Later, the socialism practiced by Stalin for 30 years in the Soviet Union, usually referred to as Soviet socialism or Stalinist socialism, was once revered as orthodox socialism.

D. New socialism, namely the collection of new ideas and theories that came into being as socialist nations began reform from the 1950's onward.

Regarding so-called traditional socialism and modern socialism, to the former, the latter is modern socialism; to the latter, the former is traditional socialism. Engels used the expression "modern socialism" in his work *Anti-Duhring* in 1876 to refer to the scientific socialism of himself and Marx. At the time, traditional socialism meant utopian socialism. As socialism was transformed from theory into practice by Lenin and Stalin, the scientific socialism of Marx and Engels became traditional socialism. Traditional socialism and modern socialism share a common lineage, but also differ substantially. In this article, traditional socialism refers to Soviet-style socialism, while modern socialism refers to the new interpretation of socialism during reform. This version of socialism can be described as new socialism.

In the course of development, socialism has experienced two breakthroughs. They occurred because the practitioners of socialism reviewed experience and steadily improved understanding. The first breakthrough took place as utopian socialism became scientific socialism. The second was the leap from Marxist scientific socialism to Soviet-style socialist theory and practice. What is taking place right now is the third breakthrough, one that would take us to the theory and practice of a new socialism.

**II. Formation and Basic Attributes of Traditional Socialism**

The scientific socialism of Marx was only imaginary. When a theory becomes reality, it necessarily undergoes some change. In the past it was thought that Soviet socialism was the only correct interpretation of socialism. In fact, Soviet socialism emerged under a particular set of circumstances. It is not and cannot be typical socialism. Why? First, Russia was a military feudal empire, an underdeveloped capitalist nation with no tradition in bourgeois parliamentary rule. Before February 1917 Russia was under czarist autocracy. Only 8 months separated the overthrow of the czarist system in February from the triumph of the October Revolution, so there was no democratic tradition. Instead, there was a long tradition of feudalism and feudal military imperialism. A natural, even patriarchal economy, was dominant. Russia was culturally backward; 76 percent of its population over 9 years of age were illiterate. For these reasons, it was impossible to introduce typical

socialism within a short time. This is an objective fact. Besides, there was not enough subjective understanding. As a result, feudal remnants were able to creep into socialism unconsciously. For a long time after the October Revolution, the Soviet Union practiced socialism in one country. Surrounded and isolated by capitalism, it had no choice but to spend a lot of energy resisting imperialist invasion and it waged two major wars to defend the motherland. This specific international environment was another reason why the Soviet Union could not create typical socialism. It was regrettable that after the 1930's Stalin, with his biased understanding, came to regard his style of socialism as the only scientific model of socialism. It was deified, frozen in time, and made absolute. After the war, he exported his experience to various countries in Europe and Asia, widely influencing all newly established socialist nations, particularly China, which essentially copied the Soviet model mechanically between 1949 and 1956. From 1957 to 1978, the guiding thought of the CPC became more and more "leftist" as it practiced a kind of socialism more leftist than even Stalinist socialism, compounding its mistakes and bringing a major disaster to the nation. There are historical reasons for this, including long years of feudal rule, a highly centralized system in the war years, and leftist guiding thought. We launched socialist reform after the 3d Plenary Session of the 11th CPC Central Committee, later than the Soviet Union and other countries in Eastern Europe. Since habits die hard, reform has proved to be an uphill fight.

How should we assess the Soviet model? Despite its numerous shortcomings, it still is socialism. In terms of theory, Soviet socialism is a mix of utopian socialism and scientific socialism. In some aspects it is a straight copy of the scientific socialism of Karl Marx; in others, a distortion. It also bears traces of feudalism. Soviet socialism is a hybrid, an impure, imperfect, and even highly flawed socialism.

The basic attributes of traditional socialism can be summarized in four aspects: politics, economics, culture, and foreign relations.

#### A. Politics

Historical idealism asserts that economics determine politics. Why then do we discuss politics first here, and not economics? For three reasons. To begin with, in all existing socialist nations, the communist parties first seized power and established a proletarian dictatorship and socialist political system. This regime then set up a socialist economic system. Second, the major flaws of socialist nations today are to be found in their political systems. Their economic and cultural weaknesses are derived from their political systems. Third, years of practice in nations from Yugoslavia, the first socialist nation to reform, to the Soviet Union, Eastern Europe, and China, prove that political structural reform is the most arduous and problematic. Thus, the only way to get

a handle on the crux of the problem, improve understanding, and speed up reform is to clearly identify the political shortcomings of traditional socialism.

According to Marx's scientific socialism, the socialist regime in the transitional period is dictatorship by the proletariat. After the advent of socialism, it was thought, the state would gradually wither away. This theory was borne out only in the Paris Commune of 1871, which lasted 72 days. These are the basic characteristics of the democratic republic in the style of the Paris Commune: Public employees are selected through elections to serve a fixed term. They are paid more or less the same as skilled workers and have no privileges. Every citizen is a soldier. Laws must be drawn up by the proletariat to govern the nation. Marx did not say how the communist party is to lead the nation. The reason is that there was no proletarian political party when the Paris Commune was set up. At the time, Marx still lacked practical experience in this area. The Soviet socialist model adhered to and furthered scientific socialism. After the October Revolution, the Russian Communists established a proletarian dictatorship, that is, a Soviet regime based on a worker-peasant alliance. At the beginning, the Soviet regime had some of the features of the Paris Commune. For instance, deputies and leaders were elected and a low-wage system was instituted. Later, Soviet leaders were gradually appointed and paid high salaries. Party organizations came to monopolize the whole business of electing deputies, including the selection of candidates. Elections were uncontested. After 1918, Lenin founded the Red Army as the proletariat's standing army. This was an advance upon the universal military service of the Paris Commune and played a vital part in protecting socialism. By the late 1930's, although the transitional era was over, the state still could not wither away, encircled as the Soviet Union was by capitalism. The dictatorship of the proletariat still had to be preserved. This too was another development of scientific socialism. Nevertheless, as far as its political system is concerned, Soviet socialism departed from the scientific socialism of Marx in many ways:

The political system of traditional Soviet socialism had eight major flaws: 1. Centralization of power by the leader. Stalin monopolized party, state, and military functions in his hands. In 1922 he was the general secretary of the CPSU only. By 1941 he had become chairman of the People's Committee and chairman of the Defense Committee (renamed commander in chief of the armed forces in 1945) as well.

2. Life tenure for the paramount leader. Stalin's life tenure ran from 1922, when he was 42, to 1953, when he died from illness at the age of 73.

3. Designation of a successor. Stalin designated Malenkov, his secretary, as his successor.

All three weaknesses originated with Stalin and all were fundamental flaws that deviated from the democratic republican principles of checks and balances, fixed

tenure, and election, and were reminiscent of monarchical autocracy. The idea that the working people should control their own destiny was much compromised.

4. The party replacing the government and fusion between party and government functions. The highest organ of government power was deprived of effective power, its decisionmaking authority being exercised on its behalf by the Politburo of the Central Committee of the Communist Party and even the general secretary himself.

5. Party leaders controlled the secret police and used violent methods to intervene in the government and intraparty struggles, as Stalin did after the anti-Trotskyite campaign in 1927.

6. Eliminating dissidents and practicing narrow partisanship. Party members with a different point of view were branded antiparty elements and cliques and enemies of the people and were even physically eliminated.

7. The rule of man superseding the rule of law. Despite the presence of laws, they were not strictly enforced. The law was subordinate to the wishes of senior officials. Hence the large numbers of unjust verdicts and trumped-up charges in the campaigns to eliminate counterrevolutionaries.

8. Cadre privileges, such as high salaries and special supply.

These eight major shortcomings diluted the basic socialist characteristic of letting the working people be their own master and control their own destiny. Instead, the communist party became the master on behalf of the people. Instead of the people being the master, the officials became the master. The more powerful the official, the greater the number of people he controlled, with the supreme leader controlling the entire population. At the top of officialdom was one single master, one lone leader. After 1936, the Soviet Constitution stipulated that Soviet deputies be chosen through universal, legal, direct, and secret elections. In form, there was some improvement; in substance, the change was minimal. The party continued to make decisions on behalf of the people. Within the party, there was no democracy. Stalin turned the CPSU, which normally should be fully democratic, into one where one leader was able to act arbitrarily, shifting the party's power center from the National Party Congress to the Politburo and from the Politburo to the general secretaryship. He placed the supervisory committee of the party under the leadership of the Central Committee, with which it should be on an equal footing. He also failed to convene the party's national congress regularly, so on and so forth. All this destroyed democratic centralism within the party. He placed himself over the entire nation and party and put the Politburo above the highest organ of state power, thus stifling socialist democracy. This was Stalin's biggest political mistake.

The failings of the Stalinist model have extensive international impact. This is partly because of Soviet big-power chauvinism and big-party chauvinism and partly because countries that adopted socialism were all underdeveloped and even very underdeveloped in the practice of capitalism and lacked a "capitalist democratic tradition." All were heavily influenced by feudal monarchism. In the case of China, an additional factor was the long revolutionary war, the strong emphasis on a high degree of centralization, and the longstanding "leftist line." Thus, the shortcomings of China's political system since the PRC was founded are even worse than those of the Soviet Union. It was not until 1941 that Stalin succeeded in centralizing in his hands party, government, and military powers. In contrast, Mao Zedong ascribed to himself party, state, government, and military powers in 1949, as soon as the PRC was established. Besides being chairman of the CPC Central Committee, he was chairman of the CPPCC [Chinese People's Political Consultative Conference] (the CPPCC then exercised the functions and powers of the NPC [National People's Congress]), chairman of the central people's government, and chairman of the Central Military Commission. Stalin's life tenure lasted till he was 73; he was still in charge before he suffered a stroke. Mao Zedong's life tenure lasted until he was 83. In his old age, he had difficulty moving and speaking, and was too weak to carry out party, government, and military duties on a day-to-day basis. Stalin named one successor, an unwritten decision, and the latter actually succeeded him. Mao Zedong designated one heir after another. Throughout, he never realized the impropriety of such a practice. Nor did he learn from past mistakes and try a different approach. On the contrary, he went so far as to write his choice of a successor into the ninth party constitution in 1969, an unprecedented move in the history of international communism. In the Soviet Union, the party replaces the government and party and government functions are fused at the top and intermediate levels of the hierarchy. At the lower levels and the grassroots, the one-head system still prevails. In factories, for example, there is the factory director responsibility system; in colleges, the president responsibility system. Workers and college students are eligible to serve as party secretary. In China, the lack of differentiation between party and government functions prevails from top to bottom. In enterprises, the director responsibility system operates under the party committee, as does the principal responsibility system in schools. Under what is usually called unified leadership, the party committee takes care of everything. In the Soviet version of rule of man, laws exist but are not enforced. As early as 1923, the Soviet Union already drew up a civil code, criminal code, labor law, criminal procedural code, and civil procedural code, among others. The Chinese version of the rule of man means there are no laws to follow. Mao Zedong said, "When a Buddhist monk opens an umbrella, there is neither law nor sky." He advocated replacing the law with policy. Under Mao Zedong, policies were changed frequently. For years there was no civil code or criminal code. This kind of rule of man is

worse, with even more mistakes. Learning from the Soviet Union, we have certainly managed to do better in some ways. For instance, Chairman Mao Zedong advocated that we let go the greater part, not kill even one person, stress evidence, and oppose obtaining confessions by compulsion and giving them credence.

## B. Economics

1. Ownership system. In line with Marxism, traditional socialism basically teaches that the private ownership of means of production should be abolished in favor of social ownership, that is, public ownership. Marx also proposed collective ownership, primarily as a means to transform small production before it is finally converted into social ownership. He also taught that the state should own means of production such as mines, large companies, and banks after the proletariat seizes power. But he believed that the state should remain only in the transitional period. With the advent of socialism, the state would wither away. The Leninist era was one of exploration. In 1936, Stalin declared the establishment of socialism, writing into the Constitution the two forms of socialist public ownership, namely ownership by the whole people (state ownership) and collective ownership. The former is a superior form of public ownership; the latter, an inferior form. Collective ownership is supposed to evolve into ownership by the whole people. The ownership theory of traditional socialism has no room for capitalist private ownership or individual ownership. There is an impatience to eliminate the private economy and to effect the transition to communist ownership by the whole people. Ownership by the whole people could take just one form: state ownership. Workers are divorced from means of production and have no power to control or manage them. Both the director and party secretary of an enterprise are appointed by the state and party, which also wields the power to control and manage means of production. In the Soviet Union, the ownership of means of production is still influenced by utopian socialism and by the dogmatic interpretation of scientific socialism. For example, Stalin disallowed the private ownership of housing, which was to be distributed to workers by the state. This practice was dictated by the dogmatic interpretation of scientific socialism as well as by utopian socialism. As a superior form of consumption, not a means of production, personal housing should be privately owned in a socialist society.

2. Productive forces. Regarding productive forces, traditional socialism claimed that electrification alone would bring about an advanced level of productive forces under socialism, an idea proposed by Lenin in 1923 at a time when electrification was still in its infancy in capitalist nations. According to Lenin, electrification under capitalism would be slower than electrification under socialism. He said, "The age of steam is the age of the bourgeoisie. The age of electricity is the age of socialism."<sup>1</sup> It was believed at the time that the bourgeoisie was only capable of utilizing steam. With its more advanced productive forces, it was thought, socialism

could bring about electrification. According to traditional socialism, electrification was socialism, even communism. Lenin had a celebrated formula: "Communism is the Soviet regime plus national electrification." In fact, modern capitalism has not only achieved electrification, but also invented nuclear power, electronics, the photon, and biotechnology, among other things. Hence the need to revamp socialist ideas in the field of productive forces.

3. Economic management system. Traditional socialism insists on the use of command economic planning to overcome the anarchy of capitalist production. The capitalist commodity economy would be replaced by a socialist product economy. Commodity economy is dismissed as an economic characteristic of capitalism and socialism would create a product economy. Products are to be centrally allocated and distributed by the state. In his old age, Stalin changed his thinking, but not drastically. He came to believe that commodity production should be retained, but only in the area of consumer goods, while means of production should still be centrally allocated and distributed by the state. In fact, Soviet industrial development has been relatively rapid, while agriculture remains fairly backward. After the October Revolution, Soviet agriculture was still characterized by traces of the natural and seminatural economy. Between 1929 and 1930, Stalin instituted collective farms and imposed socialist public ownership on a natural and seminatural economy, but failed to stimulate major developments in the rural economy. Meanwhile, state command planning controlled the enterprise to death. In the absence of competition, enterprises were devitalized. Practice proves that it militates against production development to regard the commodity market as capitalist. The planned economy under a centralized system indeed resembles a dinosaur: enormous, awkward, and devoid of adaptive abilities and mobility.

4. Distribution. Traditional socialism simplifies and rigidifies distribution according to work. In the Soviet Union, for instance, workers' wages are divided into a number of levels. In the rural areas, wages are separated into 3 to 4 levels depending on the number of points a worker accumulates on any working day. The same applies to the wages of cadres and intellectuals. This is a strongly egalitarian system. The idea that the harder you work, the more you make does not really obtain there. Labor is mainly calculated in terms of time, not quality or efficiency. But while the distribution of workers, peasants, and ordinary cadres is highly egalitarian, senior cadres enjoy excessive privileges, which does not conform with the principle of distribution according to work. Actually, the biggest merit of the socialist principle of distribution according to work is that it can eliminate the exploitation of surplus value, so that after making necessary deductions, the wealth created by the working people would also be used for the people. The major flaw of the Soviet style of distribution is that it replaces old exploitation with a new, covert form of exploitation.

Egalitarianism is the idler exploiting the diligent, the poor worker exploiting the good worker. Under these circumstances, the superiority of socialism cannot be brought out.

### C. Culture

Socialist culture should be diversified, rich, colorful, and extraordinarily vibrant. Yet, traditional socialism abides by cultural autocracy. A high degree of control leads to cultural uniformity, monotony, and barrenness. Disputes in science between different schools of thought are arbitrated by top party leadership. The right to interpret and develop Marxism is monopolized by a handful of leaders. Even the fate of a book, a film, or a song is decided upon by party leaders. There is no normal academic and creative freedom. Personality cult is strong. Leader worship is the leading principle in culture and education, which is a great distortion of scientific socialism. All cultural and educational undertakings are publicly run, and no private undertakings are allowed. Culture is managed in much the same way as the economy—by state command planning in a highly centralized manner. Under these circumstances, culture is inevitably stifled and can hardly flourish. Since the guiding thought is grossly dogmatic, socialist new culture has failed to develop new characteristics. In China, despite the principle of “letting a hundred flowers blossom and a hundred schools of thought contend,” proclaimed in 1956 to promote science and arts, interference by leftist guiding thought effectively meant that for many years one lone flower blossomed and one school of thought prevailed.

### D. Foreign Relations

Traditional socialism is isolationist and opposes opening to the outside world. Foreign capitalism is considered poison. It is assumed that modern capitalism is rotten to the core, tottering on the brink of collapse, its days numbered, and offering nothing worthy of emulation. At best, it teaches us a thing or two about buying and selling. Traditional socialists were also zealots in promoting world revolution, eagerly anticipating its early victory. The Soviet Union, in particular, was anxious to extricate itself from its isolationist predicament. Because of immature conditions, however, supporting world revolution often became exporting revolution, commanding revolution in other nations, and controlling other nations, even evolving into national chauvinism and hegemonism. When the ultraleftist line held sway, China too hit out everywhere and made enemies all over the world in an attempt to “make the roads of Jinggang Mountains lead to the world and shine Mao Zedong Thought over the entire globe.”

To sum up, traditional socialism distorts scientific socialism in many ways, deforming the two major basic attributes of socialism in politics and economics. As a result, the superiority of socialism cannot be fully brought out. Basically, traditional socialism errs by failing to grasp the special laws whereby underdeveloped

nations achieve socialism. Underdeveloped socialist nations should handle the relations between feudalism, capitalism, socialism, and communism properly. To begin with, they must thoroughly eradicate the dross of feudalism. They must not rush headlong into eliminating capitalism, establishing socialism where the people's communes are large in size and collective in nature, and making the transition to communism. In the past, we unwittingly allowed feudalism to penetrate into the socialist system and abhorred capitalism, which we were hell-bent on wiping out. We were also impatient to practice socialism under which the people's communes were large and collective in nature and the three highs and four pures, screaming we would leapfrog our way into communism. Naturally we messed socialism up. Because the policies we followed for years were even more leftist than those of the Soviet Union, we made a worse mess of socialism than the Soviet Union.

### III. The Introduction of Modern Socialism and Its Basic Attributes

Socialism is a successor and replacement of, antithesis to, and innovation upon socialism. Consequently, our understanding of socialism as well as the reality of socialism cannot but change as capitalism evolves. As noted above, since its birth socialism has generally undergone four stages, each with its own ideology, namely utopian socialism, scientific socialism, Soviet socialism of the Stalinist mold, and new reform socialism. By and large, this is compatible with the development of modern world capitalism. To my mind, the development of modern world capitalism also went through four stages, each with its own distinct ideology:

1. Feudal capitalism, from early 16th century to the end of the 18th century. It was during this period that capitalism was born and grew, subject to the restraints of feudal royalty and influential officials and infiltrated by feudal forces such as the appearance of official merchants and official speculators. At the time, the shortcomings of social polarization resulting from capitalist private ownership were already evident, to which early socialism, that is, utopian socialism, was a direct response. Early utopian socialism too was colored by feudalism and small-scale production. For instance, it taught that socialism could exist under a monarchy and argued that socialism could be achieved on the basis of small-scale production and handicraft labor alone.

2. Liberal capitalism, from late 18th century to late 19th century. At the end of the 18th century, the victory of the American Revolution, French Revolution, and the Industrial Revolution in Britain marked the arrival of the age of the dominance of capitalism and the bourgeoisie in Western Europe and North America. Only then did private capitalism free itself from the fetters of feudalism and make rapid gains in free competition. The first scientific, technical, and industrial revolution of the modern age, symbolized by the widespread utilization of the steam engine, was marked by the emergence in huge numbers of labor-intensive enterprises engaged in social

mass production. At the same time, the conflicts between capitalist private ownership and socialized mass production began to come to the fore. Most acute was the conflict between the bourgeoisie and the proletariat. Utopian socialism reached a peak in the 1830's and 1840's, followed by the birth of scientific socialism. Looking at the state of capitalism in Western Europe and North America at the time, Marx and Engels speculated that socialism would first triumph in Britain, France, and Germany almost simultaneously and then spearhead movements elsewhere in Eastern Europe, Asia, Africa, and Latin America to bring about world socialism. It was then believed that socialism could be realized mainly through the overthrow of the bourgeoisie and the dismantling of the bourgeois state machine in a violent revolution and the establishment of a proletarian dictatorship.

3. Monopoly capitalism, from late 19th century to the 1970's, generally known as the age of imperialism. In the late 19th and early 20th centuries, the second industrial, technical, and industrial revolution, marked by the utilization of electricity, intensified the centralization and monopoly of production and saw the emergence of capital-intensive enterprises engaged in social mass production. Monopoly capitalism exacerbated all sorts of conflicts and gave rise to two world wars, creating favorable conditions for the victory of socialism in the Soviet Union and a dozen countries in Europe and Asia.

With their wealth of experience in governance, the bourgeoisie in developed capitalist nations in Western Europe and North America were adept at adopting a range of regulatory policies. The failure of the socialist revolution in these nations was also explainable in part by the failure of their communist parties to come up independently with a correct strategy and policy suited to their national conditions. However, imperialism itself failed time and again in its war of aggression against socialist nations. Examples include the wars against the Soviet Union in 1918-20 and 1941-45, the Korean war of 1950-53, the Indochina wars of 1945-54 and 1961-75. In the end, socialist nations were able to consolidate their position and expand.

4. Since the late 1970's, monopoly capitalism has begun evolving into social capitalism. Since the 1950's, the third scientific, technical, and industrial revolution, heralded by the advent of electronic and information technology, has led to colossal changes in the industrial, economic, and class structures of capitalism and the emergence of primarily technology-intensive tertiary industry and fourth-level industry. Besides developments in state monopoly capitalism and international monopoly capitalism, nonmonopoly small and mid-sized capitalist enterprises have multiplied. More and more members of the proletariat are white-collar and mental workers. The middle class is increasingly powerful. Social productive forces have grown by leaps and bounds. All this sharply distinguishes modern capitalism from traditional capitalism. In his 1916 work *Imperialism, the Highest Stage of Capitalism*, Lenin identified

five characteristics of imperialism (monopoly, financial capital, capital export, international monopolistic alliance, and the completion of world territorial partition), all of which have now changed drastically. The form and extent of monopoly have changed, banking capital has been divorced from industrial capital, and the imperialist colonial system has disintegrated, so on and so forth. In spawning the new scientific and technical revolution, modern developed capitalist nations have developed new features. The extent of production socialization, living socialization, capital socialization, and market socialization has greatly increased, as has that of the socialization of the distribution of national income and surplus value. With its growing socialist elements, modern capitalism is aptly called social capitalism. Modern social capitalism has the potential to evolve peacefully into socialism.

If feudal capitalism is the primitive stage of capitalism, liberal capitalism its initial stage, and monopoly capitalism its intermediate stage, then social capitalism is its advanced stage.

The arrival of the new stage of modern social capitalism has only magnified the failings of socialism of the Soviet model. Without speedy reform and its transformation into modern socialism, traditional socialism may well trail behind modern capitalism and even be eliminated. The main problem with traditional socialism is that it has been infiltrated by some feudal dregs and has failed to inherit properly the essence of capitalism. The transformation of traditional socialism into modern socialism essentially requires us to eradicate the dregs of feudalism and properly absorb the essence of modern social capitalism. Needless to say, every effort should be made to prevent contamination by the corrupt aspects of capitalism.

Modern socialism was proposed after a review of the historical experience of traditional socialism and an examination of the major changes in modern capitalism. The practice of years of reform in many socialist nations as well as China's own decade of reform have made us realize that modern socialism has many basic characteristics not found in traditional socialism. While there is no consensus among the leaders and theoretical communities of different socialist nations, by and large there are many things common to those countries. Judging from China's experience, the basic attributes of modern socialism include the following:

A. Politically, most of them practice socialist democratic politics.

In his speech "Adhering to the Four Cardinal Principles" delivered in 1979, Comrade Deng Xiaoping emphasized, "There can be neither socialism nor socialist modernization without democracy."<sup>2</sup> This is the most salient political feature of modern socialism. On 18 August 1980, Comrade Deng Xiaoping pointed out in *The Reform of Party and State Leadership*, "The principal weaknesses of the leadership system and cadre system of



the party and the state are bureaucratism, overcentralization of power, patriarchalism, life tenure for cadres and leaders, and all kinds of privileges."<sup>3</sup> The personal dependency system between the lower and higher levels of cadres is the primary shortcoming of the old political system. The problem with democratic centralism is that there is too much centralism and not enough democracy. Summing up Mao Zedong's errors in his old age, Deng Xiaoping emphasized, "A good system can stop bad people from acting tyrannically and willfully, while a bad system can prevent good people from doing all the good they could. Even as great a figure as Mao Zedong succumbed to the influence of a bad system, which turned out to be disastrous for the party and state as well as for himself."<sup>4</sup> Here, Comrade Deng Xiaoping put forward an important idea, namely that feudal influences must be eradicated and institutional construction perfected. This is a distillation of our party's understanding of socialism.

The democratic politics of modern socialism differ from the totalitarian system of traditional socialism in the following ways: Instead of centralization of power in one person, collective leadership and checks of balances; instead of life tenure, fixed terms of office; instead of appointment, democratic elections; instead of the party replacing the government, functional separation of party and government; instead of the rule of man, the rule of law and the abolition of privileges. In China, socialist democratic political construction focuses on the further improvement and perfection of the people's congress system, the CPPCC system, and multiparty cooperation under CPC leadership, the three pillars of China's democratic politics. Moreover, power should be further delegated, the government machinery and cadre personnel system should be further reformed, a social consulting and dialogue system should be established, democratic practices at the grassroots should be improved, and the socialist legal system should be strengthened. In short, instead of the past political system where power was overly centralized and the people were far from being in control of their own destiny, we should create one where the people make decisions for themselves under the leadership of the CPC, practice genuine self-government by the people, and thoroughly eradicate the influences of feudalism and bureaucratism.

Political pluralism has also been suggested in political structural reform in the Soviet Union, Poland, Hungary, and Yugoslavia. In other words, it is recognized that since different interest groups exist in society, there are different political viewpoints and factions, which need to be reconciled with one another democratically and legally. Political pluralism is not necessarily related to a multiparty system. The Soviet Union favors coordination under one party—the CPSU. Yugoslavia wants to graduate from one-party rule to the absence of parties and total self-management. Poland and Hungary, on the other hand, opt for multiparty rule. Poland proposes to develop multiparty coalition rule led by proletarian parties. Hungary plans to move from one party rule to a

multiparty system where a multitude of parties engage in equal competition. Experiments in socialist reform must be put through the test of practice.

B. Economically, the most important thing is to develop the socialist planned commodity economy.

According to traditional socialism, the commodity economy and the market economy are incompatible with the product economy and planned economy. The commodity economy is regarded as capitalist. Socialism, on the other hand, must mean a planned economy and product economy. Practice proves that underdeveloped nations have underdeveloped commodity economies and cannot therefore catapult into a planned product economy on the basis of a natural and seminatural economy. The stage of capitalism can be skipped, but that of commodity economy cannot. For 3 years after the October Revolution, the Soviet Union practiced war communism, impatient to eliminate commodities, the currency, and the market. After reviewing the lesson this experience offered, Lenin introduced the New Economic Policy [NEP] in 1921, arguing that the commodity market must be fully utilized in the transitional era and different economic components developed to determine which was superior, capitalism or socialism. In their impatience to end the transitional era, both the Soviet Union and other socialist nations later abolished the commodity economy and introduced prematurely a product economy under state command planning. The economy was stifled and economic growth languished for long periods. The practice of modern capitalism proves that the commodity economy too can incorporate a measure of planning. Reform in socialist nations began when Yugoslavia did away with state command planning in the 1950's and experimented with the market economy. After the 1960's, social planning was also strengthened. Hungary tried combining economic planning and the market in the 1960's and 1970's, with emphasis on the former and using the latter as a supplement. In the early days of reform, China too followed this approach. In the "Decision of the CPC Central Committee on Economic Structural Reform" of October 1984, the 3d Plenary Session of the 12th CPC Central Committee made a clean break with the traditional notion that the planned economy and commodity economy are mutually exclusive, a lesson it learned by reviewing the experience of reform. "The socialist planned economy must conscientiously abide by and apply the law of value. It is a planned commodity economy based on public ownership."<sup>5</sup> Such planning, which applies the law of value, is no longer the command planning of old, but consists of two types of planning: guidance planning and command planning. As for some agricultural byproducts, small commodities of daily use, services, and repair trades, they are totally regulated by the market and are outside the scope of planned regulation. In ownership system, production goals, the conscientiousness, breadth, and thoroughness with which the law of value is applied, and the scope of commodity relations, there are essential differences between the

socialist commodity economy and its capitalist counterpart. The planned commodity economy is one where the planned economy dominates and where the commodity economy forms the base. It is a new piece of economic systems engineering and needs to be designed and built anew.

Changing the traditional socialist product economy into a modern socialist commodity economy leads to a series of fundamental changes in the basic attributes of the socialist economy. As far as ownership system in the state economy is concerned, ownership rights must be separated from management rights by adopting the contract system and leasing system, for instance, so that the working people become the real master of enterprises and all undertakings. This can inspire their initiative, enthusiasm, and creativity. The state economy aside, we must develop the shareholding economy with a combination of state shares, enterprise shares, and worker shares to create a new form of socialist public ownership. Restrictions on the private economy and individual economy should be relaxed to allow them to develop properly within a framework of socialist public ownership. This will help develop productive forces, the national economy, and the people's livelihood, and bring about a diversified socialist economic system. As for exchange, we must foster a socialist market so that means of production can enter and circulate in the market in accordance with the law of value instead of being centrally allocated by the state. Technology, labor, funds, and shares should also circulate in the market so that enterprises can compete on a level playing field and energize themselves. Turning to distribution, we must also diversify to meet the needs of the commodity economy and uproot egalitarianism. While the principle of distribution according to work should be applied in most cases, we should also allow risk income and, to some extent, even exploitation income. Personal incomes should be regulated by the state through taxes to avoid sharpening social polarization. In addition, efforts should be made to abolish the cadres' assorted privileges. Turning to consumption, in the past the treasury doled out subsidies to keep basic consumer goods at low prices. Such a practice must gradually be ended. More and more prices should be allowed to float or be deregulated as appropriate. A sound price system should be created to rationalize the consumption structure. As production rises, the level of consumption should be gradually upgraded; it would be wrong to restrict consumption or instant consumption. As for productive forces, we should work hard to develop new science and technology, rousing ourselves to catch up in such areas as electronics, the photon, and biotechnology so as to realize the commercialization, socialization, and modernization of production and lay a solid material foundation for the development of a socialist material civilization.

#### C. Culturally, develop a diversified people's culture.

To meet the needs of socialist democratic politics and commodity economic development, we need to diversify

and promote socialist people's culture. To begin with, we must liberate thinking and do away with the personality cult, personal monopoly, and the dogmatic interpretation of Marxism so that the masses can master Marxism comprehensively and accurately through free exploration, and then go on to further it. Under the guidance of Marxism, the masses should enjoy freedom of speech, freedom of publication, academic freedom, and freedom of creation, forming different schools of thought and styles that engage in normal criticism and self-criticism. Practical measures should be taken to show our respect for knowledge and qualified personnel and ignite the enthusiasm, initiative, and creativity of intellectuals. We should absorb the cream of ancient and foreign cultures while discarding their dregs. Only thus can we diversify and promote science, technology, education, arts, and other fields. Turning to the cultural management system, the state used to control everything very rigidly. That must be changed. Apart from state-run cultural and educational undertakings, we must encourage locally run undertakings, joint undertakings, and even some private undertakings to mobilize the initiative of all sectors and develop socialist culture together. Only the flourishing of the people's culture can improve the caliber of the people and further spiritual civilization so that democracy, freedom, equality, fraternity, and humanism will flourish on the basis of all-round human development.

#### D. Foreign relations. Replace socialism with openness to absorb all the best modern capitalism has to offer.

In the past, socialist nations were open to one another only or to countries in the Third World. Today, the new scientific and technical revolution has brought all parts of the world closer together. In particular, developed capitalist nations have undergone many new dramatic changes. Hence the need to concentrate on opening to those nations across the board. As noted above, modern capitalism has evolved into the new stage of social capitalism. Not only has it enabled science and technology to reach historically unprecedented heights, but it has also incorporated useful experiences and policies from socialist nations. For instance, the state has been put to full use to manage social development on a macro level, workers and citizens have been incorporated into enterprises and social management, and social welfare spending has been increased, among other things, all in the interest of social stability. Modern capitalist democracy and legality are ever more comprehensive. There is much about modern capitalism we can make use of: Its social management; emphasis on culture, education, science, and technology; the development of social welfare; and the role of the news media as a watchdog. Of course, we must be careful to prevent contamination by the corrupt elements of capitalism.

This is an age of peace and development. Socialism and capitalism should coexist peacefully, replacing past confrontation and antagonism with dialogue, consultation, and competition. Instead of the wars and revolutions of old, we now have peace and development. Still we must remain vigilant against imperialist armed invasion and

peaceful evolution, stick to the five principles of coexistence in international intercourse, and adhere to the four cardinal principles in interparty relations. The way we aid world revolution must also change in future. Our support should be essentially ideological, political, and moral. Even more important, we should enhance the appeal of socialism through our example in socialist construction.

#### **IV. The Transformation of Traditional Socialism Into Modern Socialism**

From the above summary of their different basic attributes, we can see that while both traditional socialism and modern socialism are socialism, there are some essential differences between them. If modern socialism is a rich, democratic, and civilized socialism, then traditional socialism is an impoverished, totalitarian, and savage socialism. Thus, the transformation of the latter into the former is as great a change as the second revolution, something that cannot be accomplished overnight, but will come about only after a protracted struggle. Unlike the first revolution, which overthrew the old regime from bottom to top violently, the second revolution relies on coordination between the top and the bottom, between the regime and the people, to bring about self-reform, self-adjustment, and self-improvement.

Reform is the only way to transform traditional socialism into modern socialism. Reform and the open policy are so intimately related that they are inseparable. The open policy can be described as the reform of foreign relations while reform can be described as openness in internal relations. The high degree of centralization characteristic of traditional socialism in politics, economics, and culture is self-imposed isolation.

Reform is a complex piece of social systems engineering in which the various subsystems are organically integrated, interrelated, and interacting. To rise above the traditional socialist mold, we must begin by liberating thinking and, learning from history and horizontal and vertical comparisons and contrasts, explore and fashion a new modern socialist model. Political structural reform should be the most crucial part of this piece of social engineering. This is because in all socialist nations the revolution began with the seizure of political power. The socialist regime then introduced a socialist economy and socialist culture. Besides, the principal weakness of the institutions in socialist nations is political overcentralization, which has given rise to economic overcentralization and excessive cultural control. Therefore, political structural reform should be the engine of economic and cultural structural reforms. Economic structural reform and cultural structural reform, in turn, should consolidate and promote, respectively, political reform. Economic structural reform should be spearheaded by reforms in the ownership system. Citizens should be made to feel a greater sense of being in charge of their destiny. Enterprises should be vitalized in order to promote production development. Next, workers' wages

should be raised. Price adjustment should come last. Only this way would the people find reforms tolerable. This sequence of reforms is the best and conforms with the law of reform. If political structural reform falls behind while price reform takes the lead, popular dissatisfaction would deepen, and, when people find price reform unbearable, disturbances would inevitably break out. Witness the riots in Poland in 1970, 1976, and 1980, all induced by soaring prices. The practice of reform in many socialist countries proves that political structural reform, the vanguard of reform, is the most difficult and slowest part for a variety of reasons: 1) Our ideological understanding is limited and we are slow to change our thinking, constantly worried that radical changes in the political system would weaken party leadership. 2) Political timidity. There is concern that political reform would lead to a loss of control and destroy unity and stability. 3) The power of inertia. Sometimes we realize what the problem is, but actually correcting it is very difficult. For years a string of party documents have called for party-government functional separation and emphasized that such separation is the key to political structural reform. In reality, however, nobody, from the CPC Central Committee to the local level, has accomplished this feat. Such is the power of inertia. 4) A more fundamental reason is that political structural reform involves the rights and interests of some individuals and affects the existence of the official title-related system, a measure of the profound influence of feudalism. Since resistance to political structural reform is enormous, its progress is slow, holding up reform as a whole. Certainly, political structural reform requires a good deal of caution and should be carried out steadily, step by step in a planned way, under the leadership of the CPC to mesh and dovetail it with economic structural reform and cultural structural reform as closely as possible.

As a second revolution, reform impinges on the interests of various social groups and involves the rethinking of many traditional concepts. Thus, the shift from traditional socialism to modern socialism cannot be smooth and free from resistance. As far as ideological understanding is concerned, there are two sources of resistance. One, people with rigid thinking regard traditional socialism as the only version and standard of socialism. Some may think that we can only tinker with traditional socialism; wholesale reform would lead to the revival of capitalism. Two, people who favor bourgeois liberalization dismiss traditional socialism as utterly worthless, arguing that wholesale Westernization is the only way out. What they want is to copy the capitalist system mechanically, lock, stock, and barrel. This tendency enjoys support from reactionary forces in the Western bourgeoisie. Most people with rigid thinking are elderly, while most who favor bourgeois Westernization are young. Only a determined effort to remove these two sources of ideological resistance and disruption can ensure the healthy development of reform and the open policy. Since reform is fraught with resistance, the transformation of traditional socialism into modern socialism would unavoidably run into some setbacks. The course

of reform in many socialist nations has been a stop-and-go process. Relaxations alternate with restrictions. Reversals are frequent. However, while short-term setbacks, stoppages, and regressions are to be expected, in the long run, reform and change are objective necessities for social development, and embody the advancement of the interests of mankind. After decades of experimentation, training, and struggle in reform, socialist nations will certainly acquire a wealth of experience. Their understanding is bound to get better and better, their achievements will multiply with time, and their performance will certainly be more and more mature. The supersession of the old by the new is a law of socialist development as well as a law of development for all things on earth. No conservative or reactionary forces can block it. It is foreseeable that the end of the century will mark the beginning of the supersession of traditional socialism by modern socialism. Sporting a brand-new look and at a brisk pace, China will then cross the threshold into the 21st century along with many socialist countries and greet the arrival of an even brighter future.

#### Footnotes

1. *Collected Works of Lenin*, Chapter 30, p 303, First Chinese edition.
2. *Selected Works of Deng Xiaoping*, Renmin Chubanshe, 1983 edition, p 154.
3. *Ibid.*, p 287.
4. *Ibid.*, p 293.
5. *Decision of the CPC Central Committee on Economic Structural Reform*, Renmin Chubanshe, p 17.

#### Central Leadership Blamed for 'Hooligan Culture'

40050671A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 142, Aug 89 pp 87-89

[Article by Jia Zi (0163 1311): "Sources of Chinese Communist Hooligan Culture"]

#### [Text] Wang Zhen's [3769 9201] Wild Desire To Bury Intellectuals

A top secret document is being circulated within the CPC Central Committee recently: The text of Wang Zhen's bloodthirsty and ominous speech. He said, "This time around we must kill, jail, and exile some of the liberals in the intellectual, literary, artistic, and journalistic communities."

In today's information society, intellectuals are society's most important creative force. Nations around the world are scrambling to train and attract intellectuals from overseas. Why then does this vice chairman of the PRC want to bury intellectuals the way Qin Shi Huang did? Because he is himself a vulgar military man, almost illiterate, given to curse the moment he opens his mouth, like Li Xiannian [2621 0341 1819], never speaking coherently, but strictly from "stream of consciousness,"

who has called the elderly, world-renowned writer Ba Jin [1572 6855] a "damned old foggy" on the platform at the Central Party School during the so-called anti-bourgeois liberalization campaign? Is he the only person that dare risk universal condemnation?

No, it is not Wang Zhen alone. This is a characteristic common to the CPC leadership.

#### The Bitter Hatred of the CPC Toward Intellectuals

Although he graduated from high school, Mao Zedong, "founder of the party," set himself against intellectuals his entire life. Let us leave aside the rights and wrongs of his struggle with leading intellectuals Chen Duxiu [7115 3747 4423], Wang Ming [3769 2494], and Bo Gu [0590 0657], and just look at whom he hit out against after he seized power. He attacked Ma Yinchu [7456 1377 0443] over "On Population," criticized Yu Pingbai [0205 1627 0130] over "A Critique of the 'Dream of Red Chamber,'" and sent Hu Feng [5170 7364] and his friends to jail because of a difference of opinion over literary and artistic theory. In addition, he persecuted intellectuals in two full-blown large-scale campaigns—the antirightist struggle and the Cultural Revolution. How many talented Chinese, the best and brightest of the nation, became physically and spiritually crippled or died a wrongful death? Mao Zedong even distilled the "practice" of his decades of wanton destruction of intellectuals into a ludicrous yet frightening theory: "The more one studies, the more reactionary one becomes."

Now let's look at Deng Xiaoping, the "chief engineer of China's reform and open policy during the past decade." When he staged his comeback, he talked expansively about "intellectuals being a part of the proletariat" and "the need to implement the intellectual policy." He also rehabilitated large numbers of intellectuals who had been the victims of unjust verdicts and framed-up charges. Yet as Napoleon said, a dictator never retracts an order. Mao spent decades attacking and eliminating intellectuals. As general secretary of the secretariat, Deng Xiaoping was both an adviser to Mao Zedong and the "executor of his will." On policies toward intellectuals, not only did Deng Xiaoping never think differently, but he was actually daring his vanguard with a "pioneering spirit" in the antirightist struggle. Hence, the different ways in which he determined the nature of the antirightist struggle and the Cultural Revolution. The Cultural Revolution must be totally repudiated because he had no part in it. As for the antirightist struggle, in which hundreds of thousands of intellectuals were entrapped, he insisted that it was correct to combat the rightists, only that it went too far. He refused to rehabilitate a few people like Lin Xiling [2651 1585 5044] to signal that the struggle was correct. Once he reached the pinnacle of power, particularly after he began "holding court behind a curtain," like Empress Ci Xi, he adopted a Napoleonic policy—"I will apply the bloodletting therapy to anyone who wants me to retract an order"—toward intellectuals, the first people to wake up and dissent in a well-intentioned way from his policies. He said one word and

Wei Jingsheng [7614 0079 3932] was jailed. He criticized *Bitter Love* and opposed "spiritual pollution" and "bourgeois liberalization." Finally, in a completely inhuman act, he ordered outstanding university students, the embodiment of intelligence, strength of character, and will power, and Beijing residents gunned down and slaughtered and launched a massive manhunt for a number of the brightest and best of Chinese intellectuals, highly accomplished individuals who have an abiding concern for human rights, living environment, and the destiny of the Chinese people and mankind. Deng Xiaoping's brutality has outshone that of all tyrants in Chinese history who imprisoned and executed writers for writing things considered offensive and eliminated political dissidents. In a recent speech, he said the PLA [People's Liberation Army] (actually those soldiers who massacred tens of thousands of freedom fighters on his behalf), workers, peasants (people like Mr Q, Hua Lao Shuan, and Run Shi, characters created by Lu Xun, who "mourn others' misfortune and are angry at those who do not struggle,") as reliable, implicitly suggesting that intellectuals are unreliable, which harks back to what Mao Zedong said earlier, "the more one studies, the more reactionary one becomes."

#### The True Story Behind "The Failure of Education"

Recently, therefore, Deng Xiaoping attributed the "failure of education" in the past few years not to the fact that, "counting backward," educational funding in China leads the world or to the existence of 300 million illiterates among a population of 1.1 billion people, or to the high dropout rates among elementary and high school students and the extensive lack of interest in studying among college students. He interpreted the "failure of education" as a failure to effectively inculcate the "four cardinal principles" (that is, principles of loyalty to the interests of the privileged strata of the CPC). Instantly, his veil of concern for education was removed.

Let us further examine how lesser figures than the "great leader" and "chief engineer" hate intellectuals.

Back in 1964, Peng Zhen [1756 4176] already described intellectuals as some kind of a monster. He said, "Physically, intellectuals are in the socialist society and live on the food of socialism. Mentally, they are in the corrupt capitalist society." Is it any wonder, therefore, that Peng Zhen supported the suppression of the current democracy movement initiated by students and involving the whole people so enthusiastically? He has been consistent.

Jiang Zemin [3068 3419 3046], the newly installed third-generation puppet emperor, not only fired his first salvo at the editor in chief of SHIJIE JINGJI DAobao, Qin Liben [2953 2609 4539]. He was also the first to stand up in support of sending troops into Beijing to launch a massacre and summed up his hostility toward intellectuals in a theory which was but a variation on the theme of Mao Zedong and Deng Xiaoping. He said not

too long ago, "China has too many, not too few, intellectuals. We cannot spend money turning out so many dissidents."

Let us now examine two unusual "Communist Chinese political phenomena:"

For decades, as soon as a movement to purge intellectuals is under way, members of the top echelons of the CPC immediately close ranks. This is true for the anti-Hu Feng campaign, the antirightist struggle, and every other attack on intellectuals. After Yang Shangkun, an octogenarian, seized the presidency of the nation from Li Xiannian, who is in his 70's, the latter grumbled publicly on many occasions, expressing his deep displeasure with Deng Xiaoping and Yang Shangkun. Chen Yun's economic policy is diametrically opposed to that of Deng Xiaoping. The conflict between Peng Zhen and Wan Li has boiled over into the public. However messy the intraparty strife may be, as soon as Deng Xiaoping proposed cracking down on students and intellectuals, these "veteran comrades," who had been glowering at one another, suddenly all wear a similar expression of viciousness toward the intellectuals. Irrespective of their level of education, top CPC leaders (including illiterate bumpkins like Wang Zhen and college graduates and overseas graduates like Li Peng [2621 7720], Li Tieying [2621 6993 2503], and Jiang Zemin) all behave the same as soon as they ascend China's magic chair of absolute power. Many of the senior and midlevel military officers who executed the massacre orders of Deng Xiaoping and Yang Shangkun are highly educated, but they too allowed their conscience to be overpowered by power and interests and fired on university students and citizens.

#### The Genes of Hooligan Movement and Hooligan Culture

Writing in *A Study Report on the Hunan Peasant Movement*, Mao Zedong said that society at the time called the CPC-led movement a "hooligan movement." Mao Zedong took exception to that.

Mao Zedong called hooligans lumpen proletariat. The basic characteristic of these people is immoral behavior. They have no self-respect and no sense of social responsibility. They would sacrifice conscience and do as they please for personal interests and those of their buddies. There are different kinds of hooligans—military, literary, political, unemployed. Two kinds of people in the world are invincible: those who have no sense of shame and those who do not care for their lives. Of the two, the latter dreads the former. Common to all types of hooligans is the absence of a sense of shame. In 1957, for instance, Mao Zedong asked intellectuals to comment on his work and that of the party. After intellectuals spoke what was on their minds, he immediately unleashed the antirightist struggle, exiling, imprisoning, and sending into controlled labor hundreds of thousands of fine intellectuals. With much self-satisfaction, he even dignified this deceptive, shameless, hooligan conduct as the

"strategy of luring the snake to come out of the hole." Or take Deng Xiaoping, for instance. Purged by Mao Zedong during the Cultural Revolution, he instantly penned a "thorough" self-criticism and pledged to Mao Zedong that he would never "reverse a verdict." Actually, this was an instance of a hooligan dealing with a hooligan. Never mind what history will say. The only thing that mattered was to convince Mao Zedong to spare himself. Deng Xiaoping would not be another Chen Yi [7115 3015]. "Upright people can be broken readily." There is this well-known saying in the rough-and-tumble world: "A hero must not immediately get the worst of it." And then there is Li Peng. Negotiating with fasting students on 18 May, he vowed before TV audiences around the world that "the party and the government have never said that the students are making trouble." Less than 24 hours later, that is, in the wee small hours of 19 May, this premier of a great and proud country again proclaimed to TV audiences all over the world that the student movement was an upheaval aimed at subverting the state, and declared martial law in Beijing. Only a literary hooligan could lie so assuredly without blushing. Only a literary hooligan could master such basic skills.

Then there are veteran military marshals Xu Xiangqian [1776 0686 0467] and Nie Rongzhen [5119 2837 5271]. After martial law was declared, they pledged in newspapers and on radio that the sending of hundreds of thousands of troops into Beijing was not aimed at the students and citizens in the democracy movement. (Who then was the target? Were hundreds of thousands of heavily armed soldiers sent to deal with beings from outer space?) And what happened? The massacre of 4 June belies what they said. Yet the two marshals again declared their position in the media and praised the soldiers who slaughtered students and citizens with guns and tanks as "soldiers of justice." Military hooligans of the marshal-rank!

In the eyes of a hooligan, things like honor, ethics, and a sense of social responsibility are worthless. Only immediate interests have absolute value.

The CPC seized power by "encircling the cities from the countryside." The bulk of its members were peasants. The basic characteristics of the Chinese peasantry are simplicity, timidity, and honesty, much like Lu Xun's character Hua Lao Shuan. They are not hooligans. A minority of them, however, are keen on going into small business, willing to be the lackeys of politicians, and eager to rob and rebel. These people are hooligans through and through. For the CPC, "political power grows out of the barrel of a gun," but it must recruit its soldiers from among those hooligan peasants who are reckless and have the guts to be the first to rebel. Among military officers of the PLA, many were the leaders of gangs of bandits or officers in assorted quasi-bandit local armies. They were later joined by some "emancipated peasants" (relatively honest peasants), but these were far less intelligent than hooligan peasant soldiers and could only be underlings taking orders from others or junior

officers. Hooligans are in leadership positions. Needless to say, a small number of intellectuals did go over to the CPC, but starting with the execution of Wang Shiwei [3769 1395 0724] in the "rescue movement" during the Yenan days, intellectuals who did not go along or become hooligans were destined to be remolded and purged. In short, the party organizations and Army of the CPC were born with one gene: the hooliganism of the lumpen proletariat. At any moment they could tear off their masks, tell any lies, do anything (including the 4 June massacre, an unprecedented slaughter of students and citizens in a peaceful demonstration) for personal interests or those of their group.

#### Why the CPC Has Not Shed Its Hooligan Character Thus Far

Zhu Yuanzhang was a hooligan peasant. After seizing power and ascending the throne, he went all out to shed his hooligan character, learned imperial etiquette, dabbled in writing and other literary pursuits, and treated subordinates courteously. Even today there is still a poem in Lushan written by him to an escapist who sought an rendezvous with some celestial beings.

While Mao Zedong wrote first-rate poetry, created his own unique style as a calligrapher, was a brilliant military thinker, and had a passing knowledge of Chinese history and philosophy, he only had a high school education and was limited in his field of knowledge. (According to *The Adolescence and Youth of Mao Zedong* by Xiao San [5618 0003], Mao Zedong failed in math, science, and chemistry in school.) In the early days of the CPC, he was always slighted by such leading intellectuals as Chen Duxiu, Wang Ming, and Bo Gu, who believed that "Marxism-Leninism cannot grow in a gully." Although he became the paramount leader by defeating the party's top intellectual Wang Ming after the Seventh National Party Congress in Yenan, he remained plagued by an inferiority complex. According to Carl Jung's psychological analysis, the externalization of inferiority is an exaggerated pride and irrational rejection. This explains why Mao Zedong was supersensitive and unresponsive to the criticisms and suggestions of intellectuals after the PRC was founded. Fearful that he would be looked down on by intellectuals, he took every opportunity to suppress his psychological opponents by using his power. There is another important factor. The Soviet academic community acknowledged Mao Zedong as a revolutionary, a thinker, but not as a theorist because, unlike Marx, Engels, and Lenin, he had not authored any works espousing his own philosophy and revolutionary theory. True, Mao Zedong had written two philosophical pamphlets, *On Practice* and *On Contradictions*, which were touted as the "creative furthering of Marxism-Leninism by a genius." The Soviet academic community, however, disagreed, arguing that the philosophical teaching in the two pamphlets was entirely derived from Marx, Engels, and Lenin. What Mao Zedong did was nothing more than add a few Chinese examples in the notes and annotations. The pamphlets, it was said, were teaching notes, pure and simple. (Indeed they were Mao

Zedong's teaching notes when he lectured at the Chinese People's Anti-Japanese Military and Political College.) Mao Zedong, intent on being the equal of Marx and Engels, was piqued, but Soviet intellectuals were beyond his control. After 1957, on the one hand, he gave up the presidency of the nation to find more time to study theory. On the other hand, he became even more hostile to leading intellectuals. In the so-called Great Leap Forward, he studied "socialist economics," criticized Stalin's *The Socialist Economic Question* and Lie Ang Nuo Fu's [0441 2491 6179 1133] *Political Economy*. He wanted to follow an economic road different from that of the Soviet Union and the United States: the Great Leap Forward. Under his general line, China was supposed to achieve greater, faster, better, and more economic results in 1 day than other countries in 20 years. Under his people's commune movement, China would catapult into communism in 8 years. Result: total economic collapse. Nationwide, tens of millions of people starved to death. In Xinyang, Henan, alone, as many as 1.3 million people perished. After 1964, he shifted his research focus, studying the so-called class struggle theory of "continuing revolution under the proletarian dictatorship," which was "repeated every day, every month, every year." Guided by this theory, he launched the Cultural Revolution, a 10-year disaster. All his life Mao Zedong wanted to be a great theorist, a great scholar. In the end, a fond dream became a nightmare. Like the monkey who called the grapes beyond his reach sour, Mao Zedong became ever more hostile to intellectuals, his hatred culminating in his saying that "the more one studies, one more reactionary one becomes."

In the early days of the PRC, the party was concerned with educating cadres. Efforts were made to wipe out illiteracy among cadres of worker and peasant origins and high schools offering accelerated courses were built. After the war to defend the motherland, the Soviet Union sent cadres like Khrushchev who were the sons of miners to college. Yugoslavia sent old guerrilla fighters to school, some of them later becoming doctors. Similarly, in China there was also a desire at the beginning to upgrade the cadres' educational standard in order to shake off hooliganism. But, guided by Mao Zedong Thought, one word of which was more powerful than ten thousand words, this effort was soon abandoned. After the antirightist struggle, uneducated people were glorified. During the Cultural Revolution, illiterate workers' propaganda teams were put in charge of college professors. Chen Yonggui [7115 3057 6311], an illiterate, became vice premier. Lu Ying [7627 3841], who mispronounced Mo Xi Ge as Hei Xi Ge, was made editor in chief of RENMIN RIBAO. Impervious to reasoning and disdainful of culture, Chinese Communist cadres exercise leadership over everything: Any omnipotent cadre may arrogantly lead the manufacture of the atomic bomb today and complacently head the choreography of a ballet tomorrow, feeling mighty good all the time. Instead of raising their educational standard to narrow their gap with the modern educated person, they boost their own social status by trampling upon intellectuals.

This is because trampling upon others is much easier than improving oneself. Why are second- and third-generation top CPC leaders, who are highly educated, also reshaped in the hooligan mold? First, before they were promoted, they must possess the attributes of a hooligan—flattering one's superiors and lacking an independent personality. Under the appointment system, winning your superior's favor is like winning an election. They must be tough in purging independent-minded intellectuals and master the skills of pretension, [jia 0250], arrogance [da 1129], and ignorance [kong 4500] in their speech and conduct. After they assumed office, they continue to be restrained by the two "Napoleonic levers"—fear and interest. Follow the old hooligans' wishes and you will be promoted and enjoy more prerogatives. In this group are Jiang Zemin, Li Peng, and Li Tieying. Should you go against the old hooligans' wishes and display a trace of conscience and initiative, you will be dismissed or even thrown into jail, as were Hu Qili [5170 0796 4539], Yan Mingfu [7051 2494 1788], and Bao Tong [7637 1749]. In short, the new generation of Chinese leadership has not shed its hooligan attributes.

There is a role theory in social psychology. If you play a certain role in society, your speech and behavior must fit the mold of this role. The opposite is true of Chinese leaders. Their social role is "national leaders," but their speech and conduct are those of a hooligan through and through. In the process they have become a social monster: an extraordinary mix of privilege and lumpen proletariat.

### Ge Yang Refutes Chen Xitong Report

40050678A Hong Kong PAI HSING [THE PEOPLE]  
in Chinese No 197, 1 Aug 89 pp 7-8

[Article by Ge Yang (2047 2254)]

[Text] Whose Premeditation?

The "revolt suppression" report prepared by Beijing mayor Chen Xitong [7115 1585 0681] for the Standing Committee of the People's Congress, more than 30,000 words in length, filled a full page of Chinese newspapers in the United States for two days in a row. That I was able to read this abroad is a privilege granted me by freedom of the press.

Not only was this report a long one, it was also a "clever" one, its cleverness found in its using the old line that "proletarian struggle was the guiding principle" to make up things that involved even me. The first part of the report cited three illustrations involving me, to explain that the students' democracy movement was planned and premeditated to "incite a disturbance."

The first illustration.

The report said that on 7 December 1988, when the Futurist Society of Beijing University held a conference on "The Future of China and the World," Jin Guantao [6855 6034 3447] had declared that "the failure of the



socialist experiment is one of two great legacies left by the 20th century," and Ge Yang, editor in chief of XIN GUANCHANG [NEW OBSERVER], had immediately confirmed it by saying "Jin Guantao's refutation of socialism is not strong enough; it is too polite and gentle."

True, that is a fact.

I was invited that day to participate in the conference at the last minute, and arrived at the meeting without a developed statement or any other preparation. After Jin had finished his talk, his wife asked me if I thought Jin's judgment of socialism was too harsh. Not only did I answer in the affirmative as described above, I also used it as the topic for a talk. I had no other intention, but the conspirators against me had a motive. They wrote up a short report and sent it on. Zhao Ziyang saw it, and shortly after that, my name and that of Jin Guantao were noted and marked at a subsequent meeting of the Politburo.

The success or failure of socialism is obvious to all. Whether or not it has theoretically gone against objective law, it can be checked against some cases. However, this is not only a practical problem; it is also a theoretical one within the scope of scholarly investigation. Hasn't it been said that freedom of speech is allowed in scholarly discussion? Why is it that anything that has been said does not count?

What makes me particularly concerned is that a long report that delegates to the People's Congress will believe, is allowed to pick up fragmentary remarks I had made, to be used out of context as proof of a premeditated plan. By doing that, my disclaimers lost an opportunity. For I was in the open, but the plotters were in the dark. Really, who was it who plotted and schemed?

#### How Chen Xitong Made Up Stories

The second illustration.

The report said that on 26 February 42 persons, including Zhang Xianyang [1728 7359 2254], Bao Zunxin [0545 6690 3932], Li Hunglin [2621 3163 2651], Ge Yang, and so on, had signed a joint letter to the CPC Central Committee, asking for release of so-called political prisoners.

This is really a joke! When some people in literary and art circles petitioned the Standing Committee of the People's Congress early this year during the spring holidays to release Wei Jingsheng [7614 0079 3932], they expressed the hope that I would add my signature to the petition. At that time I had just returned from Inner Mongolia and had my telephone shut off because I was rushing to finish an article. These people thought I was not in Beijing, so did not go looking for me.

After this petition was signed by 33 persons, others wrote yet another letter to the CPC Central Committee regarding reforms in the political system and release of

political prisoners, and asked me to add my name to it. I did not, for I felt that if one call had been issued and not responded to, another one would be of little use.

But Chen Xitong's concept of "a unified domain" held that if Ge Yang "firmly adhered to capitalist liberalization," she would have added her signature. Because he thought so, this story is laughable.

However, I am too kind to call it a joke. They know I did not sign, but had to dismiss it as such. Otherwise, how could they make up stories?

The third illustration.

The report said that from the very beginning this disturbance was seen as an acute confrontation between bourgeois liberalization and the four basic principles, the most outstanding of which were the seminars held 19 April in Beijing by SHIJIE JINGJI DAOBAO and XIN GUANCHANG, chaired by Ge Yang. Among participants were Yan Jiaqi [0917 1367 0366], Su Shaozhi [5685 4801 2535], Chen Ziming [7115 1311 2494], and Liu Ruishao [0491 6904 4801].

True, we held a memorial service for Hu Yaobang that was attended by 45 persons. After that meeting, someone suggested taking the floral wreath to Tiananmen, which I did personally.

#### How Hu Yaobang Met His Downfall

When I got to Tiananmen, my heart skipped a beat. Such a mass of people, I could not get in! I pushed forward, a step at a time, with someone supporting my arm as I carried the wreath. As I pushed, wave upon wave of thoughts rushed through my mind. Who said China is hopeless? With all these people supporting reform, how can there be no hope? If the government could truly be democratic, observe the rule of law, and act objectively, so that all the people could concentrate their energies on production and scientific and cultural development, the 21st century would be China's golden age.

Before I left China for the United States on 23 April, I had put these thoughts down in an article, "Xin Guancha Notes." Little did I realize then that during the short month or so I was away, that XIN GUANCHANG would cease publication. I had never thought that such a common understanding and hope of the Chinese people would be called a disturbance and described as a planned conspiracy.

Who had a plan? Who had a plot? It can be clearly seen from the three illustrations cited that the whole report told people there was planning and plotting. But it was not by those patriotic intellectuals who fear for China's expulsion from the global family. Rather, it was by those power-hungry conservative conspirators who cared not one iota for the country and its people.

Please check how Hu Yaobang met his downfall. Before this happened, these conspiring elements used some psychology on Deng Xiaoping. Knowing that he was



apprehensive about too much power accruing to any one person, they lodged some secret complaint about Hu Yaobang, which led to his removal. Because the reasons given by these conspirators were inadequate, they had to wait for an opportunity. Once they saw university students on strike against returning to classes because of poor food management at their schools or illegal elections, they found a good excuse. These conspiring elements were not going to resolve any conflicts, but chose to promote class struggle instead. They immediately had news organizations such as XINHUA SHE and the newspaper GUANGMING RIBAO order their local reporters nationwide to specifically collect all the reactionary slogans they could find and report back. These slogans were immediately printed as brief dispatches which were then placed in the hands of central government leaders. Actually, the sources of these reactionary slogans are quite questionable.

#### Revolt—An Excuse for Murder

On the second day after the students had made a peaceful petition following the memorial service to Hu Yaobang, the vice minister of the central government's Ministry of Propaganda used an article written by a XINHUA SHE reporter to make up a story. While the article mentioned that the entrance to the news agency had been charged by people calling out "Down with the Communist Party!", the story referred to the reaction of some workers passing by at the time, in an effort to distort the nature of the students' petition. One can see their version was already prepared ahead of time. In another two or three days after that, the systematic report by Li Ximing [2621 6932 6900] was completed, and Deng Xiaoping ruled on it from a higher plane. Just when the memorial service activities were concluded and the students were going back to school, the RENMIN RIBAO editorial of 26 April appeared. Only a few days had elapsed, and it was now saying that the student movement in its early stage was recognized as a patriotic one. When was this recognition ever made?

The purpose is very clear as to how the scheming authorities used this irrational editorial to anger the students and thereby enlarged the scope of the incident. After seeing them hit time and again, it is only natural that the people who hate tyranny and despotism would side with the students. That was when the authorities brought out their already prepared second version, elevating the "disturbance" to a "counterrevolutionary revolt," and used this as an excuse to kill.

Wasn't this how Chen Xitong wrote up his report? What was there to cover up?

In the great patriotic movement for democracy this time, contrasts between the civilized conduct and rationality of the young people and the barbaric behavior and irrationality of the corrupted old, the dignity and high

purpose of the people, and the degradation and shamelessness of the schemers, the unselfishness of the democratic warriors and the extreme selfishness of the bureaucrats in power, are never clearer. Can history be so heartless as to allow justice to die, and let the devil reign supreme?

No, it cannot, for history is fair and impartial. The seeds of justice have been planted deep within the people's hearts, and the time will come when we can "hear the wakening sounds of thunder in those noiseless places."

#### CASS Vice President Interviewed on Reforms

90ON0133A Beijing JINGJI RIBAO in Chinese  
17 Oct 89 p 1

[Article by Jia Dechang (6328 1795 2490): "Make a Clear Distinction Between the Two Types of Reforms and Opening Up—A Visit With the Vice President of the Chinese Academy of Social Sciences, Liu Guoguang"]

[Text] The following was extracted from a speech given by Jiang Zemin at the celebration marking the 40th anniversary of the founding of the PRC: There are actually two completely different positions regarding the question of reform and opening up. One position is the stand that the CPC Central Committee and Comrade Deng Xiaoping have consistently advocated of upholding the socialist road, the people's democratic dictatorship, the leadership of the CPC, and Marxism-Leninism-Mao Zedong Thought. This is regarded as the self-perfected reform and opening up of the socialist system. The other position is a "reform and opening up" that upholds bourgeois liberalization and requires that China become "totally Westernized" and that is divorced from and opposed to the four cardinal principles. The essence of this so-called "reform and opening up" is to establish a capitalist system, that is, to bring China into the capitalist system of the West.

How do we combine the actual practice of the last 10 years in reform and opening up and how do we correctly understand and differentiate between the two forms of reform and opening up? This is a question of common concern in current economic circles. Recently, reporters paid a visit to China's famous economist and vice president of the Chinese Academy of Social Sciences, Liu Guoguang, and asked him to speak on his views.

Question: In order to differentiate between the two types of reform and opening up, what do we take into account in appraising the reform of the last 10 years and especially the reform of the urban economic system since 1984? What are your views on this?

[Liu Guoguang] It is a basic fact that the reform of the last 10 years has been a period with the most vitality, fastest economic growth, and greatest increase in the standard of living since the founding of the PRC. Specifically, getting a handle on the crucial area of agricultural reform during the first 5 years turned agriculture around from its long period of being in a state of

stagnation. Urban areas conducted tests in expanding decisionmaking authority, increasing the amount of taxes and profit retained, and other areas. A fairly good job was done in implementing the 8-character plan of "adjust, reform, consolidate, and increase" which changed the longstanding situation of having a serious imbalance in the national economy and provided a rather relaxed environment for reform. As a result, the pace of reform and development during the first 5 years was fairly stable and smooth, with some remarkable results being achieved. The latter 5 years began in 1984 and, although many achievements were made, some large mistakes emerged. The primary reason for this was Comrade Zhao Ziyang who was responsible for economic work over a long period. In the two areas of development and reform he pursued a policy of striving for quick success and instant benefit. On one hand, he avoided and was perfunctory in dealing with the necessary fundamentals of reform, and, on the other hand, he was zealous in carrying out so-called "new measures" that were hazy in nature and that brought negative results. He furthermore made unpredictable changes in policy and continually did the same old thing under a new guise which caused a vast number of cadres and the masses to be at a loss as to what to do.

Question: Can you tell us what manifestations of bourgeois liberalization have occurred during the reform of the last 10 years in the area of economics?

[Liu Guoguang] Economic reform, research, and work are all extremely complicated. It is not as easy to distinguish bourgeois liberalization in the area of economics as it is in political ideology. Deng Xiaoping said that in reform we must uphold two basic principles: One is that socialist public ownership is a principal part of the economy, and the other is joint prosperity. I believe that this is an important key for distinguishing bourgeois liberalization trends in economics. Using this key in making our judgments, we can say that bourgeois liberalization has been manifest in at least four aspects of economics in the last few years. These are: The negation of public ownership as a principal part and embellishing and advocating the practice of overall private ownership; the negation of socialist construction and reform with Chinese characteristics and being opposed to Marxist economic doctrine that has been upheld and developed through the actual practice of construction and reform, and advocating the indiscriminate copying of the Western economic doctrine, economic system, development models, and the Western concept of value to guide China's development and reform; the negation of the superiority and necessity of a planned economy, opposing the integration of the planned economy with market adjustments, and advocating overall implementation of a market economy; the negation of distribution according to work as a main principle along with the negation of joint prosperity, advocating unlimited increases in various nonlabor income, prominently advocating the growth of a "middle class" (the "new

bourgeoisie class", and fostering a division of society. Each of these major aspects has its own specific manifestations.

Question: Such being the case, what things do not fall under the trend toward bourgeois liberalization?

[Liu Guoguang] I believe that the exploration of reform through theory and actual practice and common mistakes made in policy, including the use of practices of capitalist countries, cannot be regarded simply as bourgeois liberalization. The undertaking of reform in such a large socialist nation as ours is an unparalleled feat in history. We should encourage daring exploration while upholding the prerequisite of the four cardinal principles. In doing this, there will be some mistakes that we cannot avoid. China should not engage in private ownership and cannot proceed along the path of capitalism, but it should also not reject things that can be learned from the modern experiences of Western countries. Because many of these things are commonly used in the large-scale production and commodity economy of socialism, much of this is the crystallization of mankind's common knowledge and is not the patented knowledge of just capitalist countries. For example, our trial of a lease system, shareholding system, and some other advanced management and administrative methods are just types of exploration. As to whether these explorations can be successful and how to integrate them with the actual situation of China must be decided through actual practice. However, we cannot simply say that this type of exploration is bourgeois liberalization. Another example is that we have made mistakes in all areas of our financial and material reforms, including those in profits and taxes, local financial responsibilities, and the implementation of a dual-track pricing system for a portion of the means of production, and there are areas that need further improvement and advances. However, these cannot be regarded as bourgeois liberalization. How we are to decide what falls under normal exploration and common mistakes and what is a trend toward bourgeois liberalization in the area of economics during the past 10 years of reform will require conscientious research. The view that I have presented above is only the opinion of one person.

#### **'Counterrevolutionary' Activities in Beijing Noted**

HK0211074189 Hong Kong CHENG MING  
[CONTENDING] in Chinese No 145, 1 Nov 89 p 13

[Article by special correspondent Chang Chuan (1603 1557): "'Reactionary' Posters and Explosives Are Brought to Beijing Continuously"]

[Text] The CPC top leaders were extremely nervous when celebrating black "National Day." On the surface, the situation was tranquil, but many startling events unknown to outsiders still occurred.

In order to strictly ensure that "National Day" would pass peacefully, the authorities mobilized 60,000 Army troops and 30,000 Armed Police (including more than

10,000 people transferred from Tangshan and Jinan, and including some firemen), 20,000 local policemen, and nearly 100,000 workers from large industrial and mining enterprises for protecting factories and mines, and assisting the police in maintaining law and order.

Despite such strict security measures, more than 30 cases of "reactionary" posters and "counterrevolutionary" letters were discovered during the "National Day" period. On the evening of 30 September, public security policemen intercepted a van carrying 12 kilograms of explosives on the highway between Beijing and Tianjin in the east of Tongxian, and three "criminals" were arrested on the spot.

Because of these events, from 2300 on the evening of 30 September to the end of the fireworks on the evening of "National Day," all vehicles, including military vehicles, traveling the main roads to Beijing were strictly examined. As a result, dangerous articles were discovered in 13 vehicles and 21 people were arrested.

In the early morning of 10 October, a Kuomintang flag, 1.5 meters long and 1 meter wide, was placed inside Zizhuyuan Park in Beijing. Citizens who came to the park for morning exercises discovered the flag and reported it to the police. Personnel from the Haiding District branch of the Public Security Bureau came to the park and took the flag away at about 0800.

This case has been cracked. The flag was placed there by three middle school students affiliated with an art college. It was said that these students were "rebels" who had participated in the Tiananmen Square turmoil, and they conducted "counterrevolutionary" activities in an organized and planned way. They not only placed a Kuomintang flag they had painted in Zizhuyuan Park, but also placed such flags and Li Teng-hui's portraits in Taoranting Park, Yongdingmen Railway Station, and on a billboard in Xidan.

In addition, more and more overseas postal matters were discovered to contain "reactionary" materials and publications, and customs officers and public security personnel are very busy checking such things.

It is rumored that there were 50 "counterrevolutionary organizations" in Beijing, and 17 of them have been cracked. Some of these organizations were set up by students returning from foreign countries, and some were directly manipulated by secret agents from the outside world. In Changping, a county in the northwest part of Beijing, an organization which called itself the "Beijing Branch of the Three People's Principles To Save China" was cracked. It was secretly organized by two returned students and had 28 members. It was the largest organization, so far, to be cracked. Other organizations may have only two or three members.

Although the CPC regime temporarily stabilized the situation with the help of guns, officials at various levels still could not set their minds at rest. Measures must be taken to ensure the security of the senior officials, especially the senior military officials. Beginning 1 August, more guards were assigned to protect the security of the residences and families of the officials at and above the level of the Political Bureau member and the Central Military Commission deputy secretary general.

These people were guarded and protected in three layers. The first layer consisted of the bodyguards who always closely followed them; the second layer consisted of the guard regiments; and the third layer was formed by the martial law troops standing guard around the residences.

The martial law troops responsible for the security of the residences of the central leaders wore red armbands at night. Two soldiers acted together as a group, with their rifles loaded with real bullets. Patrol teams were also on duty around the clock.

However, the strict security measures could not guarantee peace for the big shots. As of 29 September, Yang Shangkun, Li Peng, Wang Zhen, and Chen Xitong had received many threatening letters. Yang Shangkun's office even received two small gifts—two pieces of bullets. Chen Xitong received several threatening letters, which read: "Good will be rewarded with good, and evil with evil. Rewards will come when there is the opportunity."

This was widely circulated among CPC senior cadres, especially among senior cadres in the Army, deeply upsetting them.

## NATIONAL AFFAIRS, POLICY

### Reassessment of Enterprise Ownership, Responsibility Systems

HK1710012189 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 89 pp 40-45

[Article by Yu Haijun (0060 3189 6511), written in June 1989: "The Contents of the Whole-People Ownership System and the Enterprise Corporate Body Responsibility System"]

[Text] (Editors Note) The author of this article is a research student in the Economic Management Department under the Faculty of Economic Management Studies in Jilin University. He graduated in June 1989 with a Masters degree. His supervisor is Comrade Guo Xianggu [6753 4382 6253].

How to achieve a contradictory unity between the socialist public ownership system<sup>1</sup> and establish a new socialist system which is beneficial to the development of the commodity economy has become a pressing task of great difficulty, and of international significance, faced by various socialist countries in the world.

This article will attempt, in the light of the realities of China's 10 years of economic structural reform, to put forward a line of thought on this question.

#### I. Reform Must Separate the Government's Administrative Functions and Ownership Functions and Reconstruct the Pattern of Whole-People Ownership

The phenomenon of bureaucratization of the economy in the whole-people ownership system has been created by the unity of the government's administrative functions and ownership functions. It is not inevitably related to the public ownership system itself. The actual avenue of reform is not the abolition of the public ownership system, but separating the government's dual functions and effecting a change in the existing pattern of the state ownership system, so as to make the owners independent of the government and allow them to exercise their functions in accordance with the general principles of the commodity economy.

In changing the pattern of state assets, a plan which is now being experimented with is the establishment of state assets management organs, who represent the state in exercising ownership rights. However, the state assets management bureaus are in turn managed by the Ministry of Finance and thus they are still unable to basically resolve this problem. The Ministry of Finance is a functional department of the state government. This arrangement is unable to solve the problem of separation of state political functions and ownership functions, unable to restrain erosion of economic power by political power and thereby unable to resolve the problem of bureaucratization of the economy.

Separating the dual functions of government so that the owners are independent of the government is a problem

which cannot be avoided in our country's ownership system reform, economic structural reform or political structural reform. It is a problem which is directly related to the restructuring of the microeconomic base of economic movement, the market system and the macroeconomic management structure, as well as to the renewal of the organizational system. If this problem is not resolved, there will be no way to overcome the problems of political corruption, bureaucratization of the economy and low efficiency, and the organic combination of the public ownership system and the commodity economy will be difficult to achieve.

I believe that an effective way to resolve the above-mentioned problems is to establish a whole people assets commission to replace the state assets management bureaus and to represent the whole body of the people in exercising the ownership rights of the whole-people ownership system. The whole-people assets commission will be responsible to the NPC [National Party Congress] and will be an assets management organ standing side by side with the State Council. This will not only be of benefit in resolving the problem of separation of government administrative functions and ownership functions, but will also guarantee that the owners are independent of the government, and this will ensure that whole-people assets are used in accordance with economic patterns. In implementing this plan, we should first clarify the following points:

1. We must use a legislative form to separate the functions of the whole-people assets commission from those of the state government, and clearly set down that the state government will not have the right to participate in economic management within the scope of the owners' functions. We must guarantee that the whole-people assets commission and its subsidiary organs can independently guarantee and increase the value of the whole-people assets, and independently handle the property rights of whole-people assets.

2. It must be clearly stipulated that what the whole-people assets commission will manage are the large-scale and some medium- and small-scale enterprises. The vast majority of medium- and small-scale enterprises will, in accordance with their production capacity and the scientific nature and rationality of the enterprise organizational structure, be sold off.

3. A problem that, on the surface, does not appear serious, but is actually extremely important is that of the abolition of the state-ownership system as the form of manifestation of the whole-people ownership system, the restoration of the whole-people ownership system and the rebuilding of the structure of whole-people assets.

4. In order to avoid the restoration of the old administrative system, the whole-people assets commission, as a macroeconomic management organ, will not directly manage the operation of assets. Rather, it will entrust whole-people assets to various independent investment

companies and these various companies will represent the assets commission in concretely exercising the rights and interests of the owners.

5. The investment companies will be responsible to the assets commission and will be subject to its guidance. The assets commission will exercise supervision over, assess and reward, or penalize the activities of the various investment companies based mainly on the profits they make and their overall development capacity.

6. All areas will establish a number of investment companies. These companies, as independent commodity producers, will be considered enterprise entities and will be directly responsible for the operations of assets. At the same time, all areas will be able to establish capable whole-people assets subcommittees, and these will implement the policies of the upper level committees and supervise the work of the investment companies. The local whole-people assets committees will be subject to the dual leadership of the highest committee and the local people's congress.

7. If we are to achieve the contradictory unity between the public ownership system and the commodity economy, at the same time as separating the dual functions of the state and making the owners independent, we need to achieve a new understanding of the contents of the whole-people ownership system and carry out a scientific breakdown and reconstitution of the property rights of whole-people assets, so that whole-people ownership enterprises become independent economic entities.

## **II. The Contents of Whole-people Ownership Should Be Divided Into Ultimate Ownership Rights, Corporate Ownership Rights, and Operating Rights**

On the question of the contents of whole-people ownership, within the country, the theory of there being "four rights" has always been popular. This theory holds that an ownership system contains ownership rights [suo you quan 2076 2589 2938], possession rights [zhan you quan 0594 2589 2938], control rights [zhi pei quan 2388 6792 2938] and use rights [shi yong quan 0169 3938 2938]. The "four rights" theory has played a major role as stimulus in the division of the contents of ownership, in the improvement of property rights relationships and in the development of the socialist commodity economy. However, following the deepening of the reform of the economic structure and the development of the socialist commodity economy, many defects have been found in the "four rights" theory and this theory has thus obstructed the deepening of the reform of the ownership system.

The ownership rights and possession rights in the "four rights" theory are two closely related categories, but there are many differences among the theoretical circles in how they view these two categories. Some comrades hold that ownership is possession and possession is

ownership and that generally there is no essential difference between these two categories. Some other comrades hold that possession rights are direct holding rights over the material form, while ownership rights are jurisdiction rights, affirmed on the legal level, over the value form. Ownership rights indicate the nature of the ownership system, while possession rights do not indicate this. These mutually opposed views have long coexisted in theoretical discussion of ownership, and they not only confuse people's understanding, but also interfere in the process by which the relationship between the state and enterprises is being put in order.

The operation of state assets affects, apart from the individual income of laborers, three interests entities—the state, the enterprise, and the managers. If we take the "four rights" theory as theoretical guidance, the control rights will need to be separated between the enterprise, which constitutes the corporate body, and the managers. This will inevitably result in chaos in the property rights relationship between the managers and the enterprise. At the same time, the separation of the control rights will mean that they have ceased to independently exist.

The core of the reform of the ownership system is to have enterprises become independent commodity producers. That is, enterprises will become independent corporate bodies. The "four rights" theory is not beneficial to the independence of corporate ownership rights which include possession rights and some control rights. Property rights require an independent property rights entity. If possession rights and control rights are held by different entities, how will an ownership rights entity which contains these two rights be formed and, if it is formed, how will the relationship between the three entities be handled? If an enterprise has no independent corporate rights, the enterprise will have no way of becoming an independent commodity producer.

I believe that use rights over the means of production should not be a target of study in property rights relationships. Here, use refers to the direct utilization of the means of production to produce products. Use rights refers to the power to operate and make use of the means of production. It is a specific question in the production process and although it involves relations between people, it does not reflect the essential contents of the ownership system. The key of the ownership question is who owns the means of production, how they are controlled and, as a result, how the interests are distributed. Thus, the contents of ownership should not include use rights.

The "two rights" theory which divides the contents of the ownership system into ownership rights and operating rights is a new development which has occurred in ownership theory over the last few years. The "two rights" theory and the idea that these can be separated not only breaks through the fetters of traditional theory, but to a certain degree guides and promotes the reforms whereby the relationship between the state and enterprises are being put in order and the decisionmaking

rights of enterprises are being expanded. This has greatly promoted the deepening of economic structural reform. However, the theory of the separation of the two rights contains the following contradictions:

The theory of the separation of the two rights obscures the distinction between the enterprises and the managers. According to the demands of the new structure of the planned commodity economy, the enterprise and the managers should be two interest entities which, while related, are also distinct. They are respectively the corporate ownership rights entity and the operating rights entity. However, the theory of the separation of the two rights holds that ownership rights belong to the state, while operating rights belong to the enterprise. With this problem arising, what is meant by operating rights? Do operating rights belong to the enterprise (as represented by the corporate committee, which will be discussed below) or to the operators? If they belong to the enterprise, what rights will the operators hold? If they belong to the managers, what rights will the enterprise hold?

The theory of the separation of the two rights is the source of the haziness of assets property rights at present. What is meant by the haziness of property rights is mainly haziness in terms of the corporate ownership rights of means of production. The "two rights" theory not only fails, on the contents levels, to clarify corporate ownership rights over assets, but also, in implementation, the enterprises which control the means of production do not have real corporate rights and interests. Of the corporate rights and interests of the enterprise, some are in the hands of the state and others have been transferred to managers. If we take the contract system as an example, the right to choose contractors belongs to the state, while the contractor has some rights in terms of assets deployment. Thus, the corporate ownership rights are sometimes manifested in the state and sometimes manifested in the managers, but neither constitutes the corporate ownership rights entity. This creates the phenomenon whereby they both have, and yet do not have, the rights. This not only prevents enterprises from becoming independent economic entities, but also inevitably produces an unfilled position and haziness in terms of property rights.

The key issue in property rights theory is achieving effective deployment of resources. When dissecting the contents of ownership, there is a need to consider the activity entities which asset operations involve, the property rights relationships between the various entities and the trends of development, so as to clarify the property rights divisions between the various activity entities, guarantee the independence of the property rights entities and the integrity of the property rights, and thereby regularize the relationships between them. According to Marx's exposition on the relationship between legal ownership rights and economic ownership rights, and between economic ownership rights and operating rights<sup>2</sup> and in the light of the actual operational situation of whole-people assets in our country, I believe that the contents of whole-people ownership

should be divided into legal ownership rights, economic ownership rights and operating rights. That is, it should be divided into ultimate ownership rights, corporate ownership rights and operating rights. This division will require, apart from what has been discussed above, consideration of the following two points:

1. The separation of the ownership into ultimate ownership rights, legal ownership rights and operating rights accords with the entity set-up involved in the operation of whole-people assets, and will be beneficial to regularizing the relationship between the state, enterprises and the managers. The operation of our country's whole-people assets will mainly involve, on the property rights level, the three interests entities of the state (the whole-people assets commission), enterprises and the managers. In accordance with the demands of the development of the commodity economy and on the basis of the position of the various entities in assets operation, the assigning of ultimate ownership rights, corporate ownership rights and operating rights to these three entities respectively will be beneficial to clarifying the limits of their respective property rights, in guaranteeing the independence of the various property rights entities and the integrity of the property rights, and in encouraging the various property rights entities to handle economic relationships in accordance with the internal demands of the property rights mechanism.

2. The separation of ownership into ultimate ownership rights, corporate ownership rights and operating rights will be beneficial to the resolution of the problem of haziness about property rights, which is obstructing the deepening of the reform of the ownership system. Making the whole-people assets committees, enterprises and managers the respective ultimate ownership rights, corporate ownership rights and operating rights entities will not only clarify the nature of whole-people ownership, but will resolve the problem of the lack of a corporate ownership rights holder, and will give the entrepreneurs, in production operations, a position as independent property rights entities. If this idea can be realized in future, it will further promote the contradictory unity between the public ownership system and the commodity economy.

At the same time as carrying out the analysis of the contents of ownership as noted above, we also need to carry out specific analysis of the respective limits of ultimate ownership rights, corporate ownership rights and operating rights.

Ultimate ownership rights should include the following:

- 1) The right to choose to transfer corporate ownership rights. In an ownership system, whoever holds ultimate ownership also definitely has the right to choose to transfer corporate ownership rights. Under the set precondition at present in our country where whole-people ownership enterprise directly possess whole-people assets, the option to transfer corporate property rights will mainly be manifested through clearly setting down that the enterprises have corporate ownership rights and

thereby clearly setting down the divided ownership rights relationship between the state and the enterprises, and the position of the enterprise as a corporate body. 2) In respect of a small number of special enterprises, the whole-people assets commission might control their operations through holding their corporate ownership rights and the right to economic benefits. The right to economic benefits is a manifestation, on the economic interests level, of ultimate ownership rights, and is an interests compensation to the ultimate owner for having transferred corporate ownership rights. Marx, when analyzing profit distribution, referred to this interests compensation as "the fruits of capital itself."<sup>3</sup> In our country, this is mainly manifested as enterprises handing up a portion of their profits to the state. 3) Legally-stipulated ultimate ownership rights. This refers to ultimate ownership of the value form of the assets and it manifests the nature of the ownership over the assets.

The corporate ownership rights should include:

*1. The right to choose operators.* This refers to the right of the enterprise, as a corporate body, to choose a factory director, manager, contractor or lessee.

*2. The right to operational earnings.* The right to operational earnings is the manifestation, on the economic interests level, of corporate ownership rights, and is compensation to the corporate body for transferring operational rights and the results of managing assets. This is determined by the operational management level, the market sales situation and such factors. When operations are profitable, the enterprise has the right to obtain profits, while when operations incur losses, the enterprise will have the responsibility to bear the losses. Marx referred to operational earnings as "the income of the enterprise principal."<sup>4</sup> Clearly, the income of the enterprise principal can be either positive or negative. The difference between economic earnings and operational earnings lies in that they are earnings of a different nature by different property rights entities. Operational earnings and operational results are closely related, but economic earnings are not necessarily closely related to these.

*3. The right to deploy assets.* That is to say, the corporate body, under the precondition of respecting the stipulations of the contract by which corporate ownership rights were obtained, has the right to lease out or sell the assets it controls.

Independent operating rights are an important precondition for fully bringing into play the role of the entrepreneurs. Operating rights should include production management rights, the right to purchase and sell commodities, the right to organize production, the right to make decisions on short-term and medium-term investments and the right, within the scope allowed by policies, to set prices. In addition, the operating rights entity, at the same time as obtaining wages, should also obtain

rewards or be subject to penalties on the basis of operational results. However, the operating rights entity will not take on the final risks or losses.

If the contents of whole-people ownership are divided like this, a theoretical base will be laid down for deepening the reform of whole-people ownership and for promoting the contradictory unity of the public ownership system and the commodity economy. However, if we are to have ultimate ownership rights, corporate ownership rights and operating rights truly and fully implemented in the whole-people ownership assets commission, the enterprises and managers respectively, so that the role of the property rights mechanism is fully brought into play in whole-people assets operation, it is still necessary to carry out deeper reform centered on the implementation of enterprise corporate ownership rights.

### **III. The Corporate Body Responsibility System Is the Target Model in the Reform of the Whole-People Ownership System and the Core of This Reform Is Giving Effect to the Corporate Ownership Rights of Enterprises**

Property relations are the objective base upon which the enterprise system is formed. They restrict the basic choices of enterprises in terms of organizational form and operational form. The redefinition of the property relationships between the whole-people assets commission, enterprises and managers and the clear setting down of the property rights limits of these three entities is a basic condition and a necessary step in reconstructing the existing set-up of whole-people assets, so that enterprises can become independent economic entities.

On the question of how to divide the property relations of enterprises, so that enterprises become independent property rights entities, there have appeared in our country's theoretical circles and reform practice many different lines of thought. Of the contract system, leasing system and shareholding system which are already being experimented with, the vigor of the contract system is the strongest. However, the contract system is characterized by the fact that it contains elements of both the old and the new systems and this determines that it is transitional in nature. Although this transition will not be short, it must certainly not be too long.

The problem now is, in deepening the reform of enterprises, what sort of operational form should replace the contract system? Many people believe that the next step in enterprise reform is the implementation of the shareholding system, and they take this as the target model in the reform of whole-people ownership enterprises. I believe that this is not in accord with reality and not scientific. First, the existing contract system and the overall situation of economic structural reform does not provide conditions for a transition to the shareholding system. The shareholding system is a high-level form of the development of the commodity economy, while our



country is now only in the initial stage of the development of the commodity economy. Not only are the quality and concepts of the people of an insufficient level to accord with the demands of a developed commodity economy, but we lack the basic preconditions such as markets for production factors, commercial credit and technological preconditions. More importantly, in the present situation, where the dual functions of government are combined in one entity, where there has been no change in the existing set-up of whole-people assets and where the phenomenon of bureaucratization of the economy has not been resolved, instituting the shareholding system will only exacerbate the situation whereby enterprise and government functions are not separate and there is bureaucratization of the economy. Second, the shareholding system should not become the goal in the reform of the whole people ownership system. The shareholding system can be implemented to a certain degree and within a certain scope. However, if we take this as the goal model in the reform of the whole-people ownership system, not only will it not accord with the basic situation of our country's national economy, but the introduction of the shareholding system will inevitably produce, throughout the entire society, differences between the wealthy and the poor and new inequalities. It may even change the existing social class structure. This will not be in accord with the final goals of reform or the initial goals of establishing socialism. In fact, introducing the shareholding system is not the only avenue for developing the commodity economy. Modern Japan provides us with a non-shareholding system model.<sup>5</sup> The experiences of Japan are worthy of our reference. In deepening the reform of enterprises, we must fully consider the current situation of the widespread existence of the contract system in enterprise reform and the basic fact that the public ownership of the means of production has spread to every sphere of the entire national economy.

If we engage in different types of reorganization of the ultimate ownership rights, corporate ownership rights and operating rights, which constitute the contents of the ownership of the means of production, we will be able to form the following various forms:

1. The whole-people assets commission concurrently holds ultimate ownership rights, corporate ownership rights and operating rights. The traditional system comes under this form.
2. The whole-people assets commission holds ultimate ownership rights and corporate ownership rights, while the enterprises hold operating rights. This form could be adopted for a small number of military industry and national defense enterprises.
3. The whole-people asset commission holds ultimate ownership rights, the enterprises hold corporate ownership rights and the operators hold operating rights. This is a form which accords with the demands of the development of the commodity economy and which also maintains the principle of public ownership.

4. The whole-people assets commission does not hold ultimate ownership rights or corporate ownership rights, and neither does it hold operating rights. The whole-people assets commission will be able to sell off the majority of small and medium-sized whole-people enterprises, especially tertiary industry enterprises, and such enterprises will come under this form.

The last three situations noted above will all exist to differing degrees under the new structure of the socialist commodity economy. Situation No 3 will allow the whole-people assets commission to retain ultimate ownership rights, maintain public ownership, give enterprises an independent position as corporate entities and give full attention to the independent role of the operators. This is an effective form by which to seek the contradictory unity of the public ownership system and the commodity economy. Thus, I believe that this form should become the goal model in the reform of whole-people ownership enterprises (after the reforms, this will mainly be large enterprises and some medium-size and small enterprises). As the key aspect of this will be the corporate ownership rights of independent enterprises, this model is referred to as "the corporate body responsibility system."<sup>6</sup> The corporate body in economics is not completely the same, and it is sometimes considered that all enterprises can be referred to as corporate bodies. However, this is not the case. A U.S. economist believes that, "In selecting an enterprise's legal form, there are three choices—sole proprietorship, partnership or corporate body (company)."<sup>7</sup> In economics, the corporate body refers to an entity which can exercise legal rights over other people's assets and take on legal responsibility. It refers to an enterprise, such as a share company, which has corporate ownership rights, but which does not have ultimate ownership rights. Our country's understanding and use of the two concepts of corporate body are very chaotic, and the majority of people consider corporate enterprise to refer to the first-mentioned corporate body.)

The corporate body responsibility system is a general form of manifestation of the newly rearranged property rights relationships of whole-people assets. It takes as guidance the "three rights" theory and the separation of the three rights between the whole-people assets commission, the enterprises and the managers, and has as its core the implementation of enterprise corporate property rights. Its specific contents are:

1. Through a legal form, it fixes the position of the whole-people assets commission, the enterprises and the managers in terms of ultimate ownership rights, corporate ownership rights and operating rights respectively, and clearly sets down the property rights divisions between them. It also clearly sets down that the whole-people assets commission will not be permitted to arbitrarily infringe upon the corporate ownership rights of enterprises and that the enterprises will not be able to arbitrarily infringe upon the operating rights of the managers.



2. The whole-people assets commission will, after transferring corporate ownership rights and operating rights through the form of contract, have no right to intervene in how these are used. The enterprises will hand up profits to the whole-people assets commission and will implement relevant stipulations concerning the separation of property rights from the whole-people assets commission. The enterprises will, through the tender or contract form, transfer operating rights to managers and the managers will be responsible to the enterprises. The operating rights will have an independence and not be subject to interference from the enterprise.

3. Each enterprise will establish a corporate committee to represent the enterprise in exercising corporate ownership rights. When the enterprise has relations with the whole-people ownership commission or managers, there will be a need for a personified representative of corporate ownership rights who can exercise corporate authority. The corporate committee, as the corporate representative of the enterprise, will have the right to choose operators, the right to operational earnings and the right to deploy assets, and will take on the responsibilities associated with corporate ownership rights. In general, the corporate committee should be produced through democratic elections among the staff and workers, while experts from the society could also be invited to join the corporate committees.

4. The corporate body responsibility system is an overall operational model for whole-people assets. At the same time as enterprises accept whole-people assets, in order to expand production, they will be able to issue shares to staff and workers and to the society and issue other types of securities. However, whole-people assets will not be subject to shareholdings, and the issue of share dividends and bonuses will be conditional upon the completion of the profits submission tasks.

The corporate body responsibility system could also adopt the contract form. On the one hand, the whole-people assets commission could establish a contractual relationship with the enterprise. When the enterprise incurs losses, the losses will be made up first from the enterprise funds.

5. The corporate commission represents the interest of the enterprise (the entire staff). It is also responsible for the long-term development of the enterprise and the enterprise must reserve an ever-increasing amount of enterprise funds from its operational revenue. The enterprise fund is owned by the entire staff.

6. The corporate body responsibility system enterprises will implement the limited liability system. The whole-people assets commission and its investment companies will supervise the corporate commissions in exercising corporate powers. When an enterprise cannot complete its profit submission tasks, when losses exceed a fixed limit and when the enterprise is seriously lacking development reserves, the whole-people assets commission will have the right to require the replacement of the

corporate committee or may even recover corporate ownership rights and operating rights, and affix relevant responsibility. In a similar way, the corporate committee will exercise supervision over operating rights.

If the corporate body responsibility system is implemented like this, it will be of great significance in clarifying the property relations of whole-people assets, in deepening the reform of enterprises, and in promoting the development of markets and the development of the commodity economy. The precondition of and basis for the growth of markets and the development of the commodity economy is the formation and independence of the market entity. In our country the reform in which enterprises are being encouraged to become independent commodity producers has, as its core, the improvement of the enterprise operational mechanism. However, in all the previous reform plans, insufficient attention was paid to the decisive role which enterprises' self-organizational structure played on the enterprise operational mechanism and the direct influence which the enterprise entity has on the enterprise operational mechanism. Thus, they took the establishment of a perfect enterprise self-organizational structure and the scientific establishment and choice of an enterprise entity as the most basic and direct reform goals. The corporate body responsibility system tries to overcome this deficiency and tries to handle well the relationship between the enterprise entity, the enterprise's self-organizational structure and the operational mechanism of the enterprise. It places stress on the establishment of a perfect enterprise property rights structure, interests structure and decision-making structure in an effort to mold a rational enterprise entity which directly influences enterprise activities and the enterprise operational mechanism. Thereby it will lay down a fine base for the establishment of a healthy enterprise operational mechanism. Thus, it will resolve the problem of the softness of enterprise budgetary restraints, the problem of enterprises not being able to take responsibility for profits and losses and the problem of short-term activities. It can be said that the corporate body responsibility system is a practical and feasible plan for further deepening the reform of enterprises and is very likely an effective avenue for achieving the contradictory unity of the public ownership system and the commodity economy.

#### Footnotes

1. Except where otherwise noted, in this article the public ownership system refers to whole-people ownership at the present stage of socialism.

2. See my article "State, Enterprise, Contractor: The Dissection and Reconstitution of State Asset Property Rights."

3. Marx, "Das Kapital," Renmin Chubanshe, 1975 edition, Vol 3, p 420.

4. Ibid, p 421.

5. It has been pointed out that "At the end of 1967, the funds raised by Japanese enterprises through the shareholding form constituted 2.5 percent of the total amount of funds raised. In 1984 this figure had risen to only 4.8 percent. In 1971, the proportion which shares constituted in national fixed assets was only 7.3 percent." (See Li Xiuwen [2621 0208 2429]: "Several Doubts About the Enterprise Shareholding System," in JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] No 3, 1987, p 24).

6. Here some explanation should be given as to the "corporate body" in the term "corporate body responsibility system." The majority of people hold that the corporate body is an entity, the counterpart of the natural person, which is capable of taking on legal responsibilities (this is the most general understanding).

7. R.M. Huo-de-gai-wei-ci [7202 1795 5556 6850 5412], *An Introduction to American Business Operations and Management*, p 39.

### Market Structure, Operations Analyzed

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#### [Text] I. Market Structure

In a broad sense the market means exchange or relations of exchange and the totality of different exchange relations constitutes the market concept.<sup>1</sup> Different industries and commodities have different exchange characteristics and therefore different market characteristics. These different characteristics together constitute the market structure. As far as an economic entity is concerned, market structure refers to the different external environments it faces which are of immense significance to its survival and development. In this sense the market structure determines market behavior. Proceeding from studying the market structure we can go on to study its effects on market behavior and the dynamic development of such behavior in economic operations, and trace how these operations affect economic development, economic efficiency, and the allocation of resources.<sup>2</sup> Generally speaking, the determinants of market structure include the level of production technology and development, economies of scale, product quality, price elasticity and government policies. We may divide these determinants into two categories, namely economic and technical factors and policy factors. The former are conditioned by the development process and technology while the latter are mainly subject to control by human factors. When government policies are stable and remain unchanged for a long period of time we usually concentrate on examining changes in the former. In times of instability when policies change drastically we must put

the emphasis on the latter and treat the former as some kind of relatively constant stability.

We do not intend to explore the basic determinants of the market structure individually but, because policy factors have an obvious and strong effect on the market structure in China, we will still attempt a brief exploration in this connection.

Although policy factors are very complicated in China they can still be roughly classified into three categories. The first category covers policies embodying changes in the ownership pattern; the second covers policies concerning the basic economic objectives of the government; and the third covers policies setting out the government's social objectives. Policies of the first type reflect the distribution pattern of the various ownership right interests among the various different owners, like changes and transfers between ownership by the central or local authorities, or between ownership by enterprises, collectives, or individuals. The aim of these policies is to provide added stimulation to economic development through certain changes. The second type of policies are essentially those aimed at continuously increasing government revenue through strengthening economic muscles in order to further promote economic development. These include government policies boosting economic growth and development, expanding investment, and increasing taxation. The third type of policies serve social welfare objectives, such as equal and full employment and social stability.

In the course of economic reform it is mainly the first type of policies that will see the most drastic changes. When the government finds difficulty in achieving its economic targets it will look to the first type of policies for a way out. It will try to increase the motivating forces at the various strata through the decentralization of power or reduce friction between the different strata through the recentralization of power. The other policies mainly involve readjustments necessitated by changes in the first type of policies. Thus, government policies embodying the redistribution of ownership right interests are of decisive significance as an important variable in the study of market structure.

In this way we are separating out a most important variable that determines market structure. Which specific policies reflect the factors for transferring particular ownership rights? On the whole, all policies that lead to a redistribution of direct income involve the transfer of ownership right interests. More specifically, changes in the profit and tax delivery policies involve a redefinition of the distribution of net income between the state and the enterprises; the financial quotas fixing policy is the basis on which the state and local governments decide how revenue is to be distributed; changes in pricing policies reflect the transfer of income between enterprises and between enterprises and consumers; investment policies indicate who stands to benefit from future gains; and changes in the government's policies toward

production, supply, and marketing also reflect changes in the share of profits enterprises can directly obtain from their operations.

The above policies are of decisive significance in determining the market structure. Since the government adopts different policies toward different enterprises, different types of market environments have developed. It is also due to these policies that we have segmentation of the market in different spheres. Markets which have their own distinct features and which are segmented in different ways together form today's market structure.

In the given market relations in China the principal determinants of market structure are, to a large extent, determined by policies and systems. Under the existing state, planning system management is carried out according to factors such as the relative scale and output value of enterprises in their respective trades. The larger the enterprise, the higher its output value and the larger its scale, the higher its position in the hierarchy and the more strictly will it be subject to planned control. Thus, there is considerable correlation between the extent of planned control and the relative scale of enterprises. The relative scale of production, the extent of obstacles in accessing the market, the proportion of fixed cost, differences in marketing conditions, differences in product quality, and other major determinants of the market structure are all subject to the intervention of state planning and reflect more uniform correlation with the extent of planned control. In this way it is possible to more or less substitute the division of the market according to the extent of centralization or monopoly with the division of the market according to the extent to which a market is controlled by the state plan and policies. On the basis of policy factors, and economic factors, conditioned by policy changes we have tabulated the following market structure:

#### 1. *Free markets:*

Major participants: Individual, private, and people-run enterprises and some leasing enterprises  
Policy factor differences:  
Prices are not subject to restrictions and fluctuations are spontaneous  
Investment can be made or withdrawn freely  
Uniform income tax policy  
Complete autonomy in production, supply and marketing  
Sole responsibility for profits and losses  
Economic factor differences:  
Fewer obstacles to entry into the market  
Buyers and sellers are numerous and scattered  
Market demands are constantly changing and product are in small batches  
Mainly deals in consumer goods, non-essential goods, and non-durable goods

#### 2. *Markets where planned control has been lifted to a limited degree:*

Major participants: State enterprises form the main body with a small number of collective, individual, and people-run enterprises

#### Policy factor differences:

Prices may fluctuate within limits and enterprises are free to price their own products  
Investment in renovation projects may be decided by the enterprises themselves  
Investment in enlarged reproduction is mainly subject to the control of local governments  
Profits and taxes are handed over to the state financial authorities in different proportions  
Greater autonomy in production, supply, and marketing  
Economic factor differences:  
Definite obstacles to entry into the market (subject to investment restrictions)  
Scale of production relatively large  
Relatively fewer sellers  
Fixed cost proportionally higher than in free markets  
Demand market frequently changes  
Mainly deals in consumer goods and processed industrial goods

#### 3. *Double-track markets:*

Major participants: State enterprises, government departments and nongovernmental brokers  
Policy factor differences:  
Most products are subject to price control  
Special control and diverse sales avenues coexist  
Investment primarily decided by government  
Profits and taxes are handed over in different proportions  
Major projects of production, supply and marketing are subject to planned control  
Economic factor differences:  
Considerable obstacles to entry into production, but obstacles to entry into the market are not so great  
High fixed cost of production, but fixed cost of exchange is not so high  
Scale of production is large, but scale of exchange is not large  
Demand is more stable in qualitative terms  
Mainly deals in raw and semifinished materials, energy, and various capital investment goods

#### 4. *Monopoly markets subject to total planned control:*

Major participants: State enterprises  
Policy factor differences:  
Unified price and fixed control  
Supply and marketing subject to special control  
Production and investment subject to planned control  
Basically, profits and taxes are all handed over to the state  
Economic factor differences:  
Great obstacles to entry into the market  
Very high fixed cost and large-scale production  
Sellers have complete monopoly  
Demands market is stable  
Mainly involve railway, transportation, communications, posts and telecommunications services

In the market structures above, markets where planned control is lifted to a limited degree and double-track

markets are particularly worth studying. Due to various policy constraints these markets are subject to all kinds of restrictions in market exchange. As producers, enterprises may not necessarily have complete autonomy as traders. Particularly in double-track markets, producers and traders are basically separated so that differences determined by production technology and market exchange vary greatly. In existing markets these two types make up the major proportion and are the most typical. In the following analysis we will concentrate on these two types of markets.

## II. Markets Where Planned Control Has Been Lifted to a Limited Degree

These are the kind of markets in which most state enterprises deal. In this kind of market environment the production and marketing autonomy of enterprises is basically not directly subject to planned control. Enterprises enjoy considerable pricing autonomy and can set their own prices. Since the state does not have exclusive selling rights to their products the enterprises' survival and development is determined to a large extent by market demand. Thus, these are considered to be demand-oriented markets. Meanwhile, because enterprises differ from one another in terms of scale and market coverage and are subject to varying degrees of external control, they reflect different market characteristics.

### 1. *Manipulated markets*

Since the beginning of reform the economic muscles of local governments have grown rapidly. With their own capital they have expanded or established large numbers of enterprises. In addition, many central enterprises have been placed under the control of local authorities and constitute an important source of local revenue. For this reason their survival and development are of great importance to the local governments. Inevitably, local governments pursuing maximization of local benefits will energetically participate in various market activities in order to achieve their economic goals, just like an economic person.

If an economic entity can, through various means, bring about a certain state in the supply and demand situation in particular markets, a state that is most conducive to its efforts to reap economic benefits, the activities thus undertaken constitute the steps it takes to control the market. If its gains outstrip expenditure after weighing its efforts against its benefits, we say that it can manipulate the market. If not, we say that it cannot manipulate the market.

It is precisely by making use of the monopoly control power under the old planning system that local governments (perhaps including departmental setups) manipulate market demand. When there is over-demand in certain local markets they often resort to the method of curbing the entry of goods from outside and, by reducing part of the demand for outside goods, increase the demand for domestic goods. When there is a great

demand from outside for certain local resources and a high purchase price is offered, local governments are likely to close the borders and stop the outflow of goods so that revenue growth will not be affected by an increase in the price of these resources. In this way local governments may, by relying on the administrative monopoly power under the old system, reap considerable market gains with small administrative cost. Thus, various segmented regional markets have formed through such manipulation. After planned control is lifted enterprises are not faced with a genuine competitive market and are often faced with this kind of manipulated market.

In a unified competitive market, prices change with supply and demand and the equilibrium price determined in this way decides equilibrium profits. In a regional market, however, prices are decided by the cost-plus pricing method and supply and demand relations are then regulated on this basis to maintain equilibrium. This produces a reverse order of operation. That is, first determine the cost, then fix the interest rate, then set the price, and lastly regulate the supply and demand relations.

This special mechanism for maintaining equilibrium grows out from the demand by local governments and enterprises themselves that profits be shared equally. Since they all hope to enjoy the same rate of profit as other localities and enterprises, and since actual production costs vary with the level of production techniques and management, the cost-plus method of pricing has to be adopted. As a result, prices are not uniform. Through manipulation of market supply and demand uniform prices become the equilibrium prices of individual regional markets. Local governments play a major role in intervening in local demand markets. With a guaranteed demand market enterprises can feel at ease, justify their high costs, and sit back and enjoy equilibrium profits. Under the circumstances, enterprises producing good performances are unable to increase their market share while those which perform poorly can still embark on production projects and maintain their market share. In this way the scramble for profits is not competition through cost and price but through the manipulation of market supply and demand. It is thus obvious that poorly performing enterprises are making profits at the expense of enterprises producing good performances.

Thus, although the motivation is the same, namely to maximize profits and share these profits equally, different mechanisms for maintaining an equilibrium will produce different results. The smaller the regional markets are divided as a result of intervention and restrictions from governments at various levels, the more difficult it will be for competition to take place and the poorer the returns. On the contrary, it is possible to have some kind of competition in larger regional markets. However, in a situation where local governments are the principal decisionmakers in investment matters, numerous small markets have in fact developed, each being manipulated by a number of major enterprises. Although these enterprises are very small compared to

the country's unified markets they occupy a decisive position and enjoy monopoly in the regional markets. The closer an enterprise's scale is to its market coverage the greater its monopoly and the smaller the competition. Thus, in regional markets, enterprises that are established in response to the demand coverage can usually corner the market and are above the challenge of their competitors.

## *2. Markets formed by various relationship networks.*

Even in markets beyond the power of the local governments, that is when the administrative costs local governments are willing to pay are likely to outstrip possible returns, it does not necessarily mean that a normal market order can be established in accordance with the rules of competition where the best wins. There may develop instead, through the interaction of the market behavior of different enterprises, a market formed by particular relationship networks.

After planned control is lifted enterprises may directly conclude order contracts with customers. However, most still prefer to retain old relationships under the planning system. These old customers have stable relations with the enterprises and often put trust above the demand for lower prices. Such relations may be based on a kind of "good-name credit" or some intangible cultural idea that cannot be explained in economic terms. Particularly when supply-demand relations are without specific guarantees, enterprises naturally feel a sense of mutual need. The presence of these relations will thus weaken the sense of competition between enterprises and develop into networks of fixed relations. As the sense of economic benefits increases a large dosage of monetary elements in the form of kickbacks and perquisites will gradually find their way into these relations, resulting in the formation of relationship networks combining old and new relations. In markets formed under these relationship networks it is possible to maintain stable relations on a local scale for a short duration at least. In these instances price and quality play second fiddle to the actual relations. This is particularly true with relationship networks where all kinds of perquisites are offered. There, choices in the demand market are often made according to the personal preference of particular individuals rather than the interests of the enterprises.

These kind of markets can take shape and develop primarily because enterprise operators, who are after stability in production and sales, are unwilling to take risks by opening new markets and offering more choices. Under the existing economic management system it is in the fundamental interests of enterprise operators to preserve their existing market share. When the demand market is uncertain, or during a recession, vested interests become the foundation of the most basic business relations.

These vested interests are not only needed by the managers but are also demanded by the staff and workers of

enterprises. As far as the staff and workers who constitute the majority are concerned, what is primarily required is a stable and guaranteed wage income. This requires a guaranteed market share as its basis. To them, increases in income come second. For this reason only a small number of entrepreneurs can afford to bear the risks of innovation and competition. However, restrained by the interests of the staff and workers who constitute the majority, the minority do not have sufficient strength to compete in the market. Thus, in these mutually-restraining interest relationships, a relationship network that tends to be conservative becomes the basic condition for safeguarding various vested interests. Without financial backing and restrained by other interests, innovation and competition are greatly inhibited. Market relationships are seen to be stable but listless, revealing at their core segmented markets which operate on tacit agreements.

Similar to manipulated regional markets, these are also local markets except that their boundaries are delimited not by region but by intangible relationships. Thus, monopoly enterprises still play a dominant role in these markets, each having its own sphere of influence. Within their special spheres there is some kind of supply-demand equilibrium and price stability where fixed cost and profit rates remain the determinants of prices. The fact that these markets mainly depend on supply-demand relationships based on the advance placement of orders means that costs, profit rates, and prices are often predetermined and are only affected to a very minor extent by subsequent changes in supply-demand relationships. It is true that differences in cost will lead to differences in price but in markets formed by relationship networks, price differences are not important. It is on the basis of fixed market relationships that enterprises set their prices. In other words, prices are not determined by supply and demand and supply and demand is not regulated by price. Fixed market relationships determine not only equilibrium supply and demand but also equilibrium price.

## *3. Markets with excessive demand response.*

As far as the majority of large and medium enterprises where planned control has been lifted are concerned, when they are faced with an unstable market with ever-changing demands, and cannot rely on protective policies and tacit agreements to carve up the market, they have no alternative but to compete. Price competition, that is the scramble for a greater share of sales by lowering costs and prices, is an effective means. However, competition in real life is not like this because price competition is subject to the basic restrictions of cost and income rigidity, meaning that there will also be price rigidity. Restrained by price rigidity enterprises can neither lower costs nor reduce their profits and competition can only be carried out through other avenues.

The most common form of competition is where enterprises vie with one another for a larger share of the market by increasing their marketing, advertising, and

entertainment expenses and other exchange fees. For the same type of commodity, the entity which gains the largest share of sales is often determined by the level of marketing expenses. Since these expenses can be added to production costs, pricing commodities at cost naturally means higher prices. Thus the keener the competition, the greater the increase in marketing expenses, and the greater the price inflation momentum.

Competition also finds expression in the scramble for markets for newly developed consumer goods. Since newly developed consumer goods are not directly subject to planned control their prices can be fixed on the basis of the current cost plus a fairly high mark-up. Potential demand for these goods is great and production techniques can be imitated or imported. In any case, foreign production lines are readily available for import. Enticed by a higher anticipated rate of profits, there is strong motivation to scramble for a share of these markets from the central down to the local level and from enterprises to individuals. As is often the case, production capacity may increase by dozens or hundreds of times over a short period, creating a strong expansion force in the market.

Competitive markets formed in this way usually have excessive demand response. Without the constraints of price and cost competition this kind of competition is always manifested as a trend toward rising prices whether it is in a market with a shortage of demand or one in which demand is growing. It promotes production growth and market expansion, thereby producing excessive demand response. Under the circumstances, prices are in fact above the supply-demand equilibrium. In other words, actual prices are higher than the equilibrium price and this is the cause of the excessive response.

Excessive demand response is a typical feature of markets where planned control has been lifted. The lifting of planned control has not produced a competitive market environment. Since enterprises are also subject to other constraints and stimulants, the rigidity of various interests manifests itself as cost and price rigidity. This rigidity will produce a strong force of market expansion if the economic entity concerned is subject to the stimulation of a higher anticipated earnings ratio. In this kind of market environment prices are affected by the anticipated rate of profits but they are not totally regulated by supply and demand and are, to a large extent, determined by costs. It is precisely because prices are determined by costs and stimulated by anticipated earnings that overpricing and excessive demand response have come about. Thus, in markets where planned control has been lifted this kind of demand response, which is incapable of restraining itself, will, because of the existing method of pricing at cost and the stimulation of contract benefits, manifest itself as an increasingly irrepressible trend spreading throughout these markets.

### III. Double-Track Markets

Double-track markets combine two mechanisms of equilibrium, one within the plan and the other outside. To be

more precise, they are the mixture of "equilibrium along the vertical lines of division" under central planning, "equilibrium along the horizontal lines of division" under local planning, "partial equilibrium" in materials exchange markets, and "market equilibrium" in the general sense. In fact, double-track markets are the product of various complicated market forces.

#### *1. Markets controlled by various market forces.*

In double-track markets the manipulation and control of supply constitute the core of contention, with government-manipulated markets playing a decisive role. In the course of reform the old system of planned distribution of goods and materials has evolved into a rationing system for scarce items. In distribution, whoever manages to secure more scarce items will be in a better position to manipulate the market and obtain more benefits. In order to ensure realization of its economic targets, the central government exercises strict control over the price and quantity of basic investment goods such as raw and semifinished materials. Local governments also have their own development plans and have thereby expanded their own rationing systems on the basis of the central plans. Owing to differences in objectives, although the central government could give preferential rations to enterprises under its jurisdiction, these enterprises are often subject to restriction and squeezing by local authorities. Knowing full well that these enterprises have to depend on them for power, energy, transport, manpower, environmental protection, and other facilities, local governments at various levels try to secure preferential treatment in transactions. They may even sacrifice the interests of the central enterprises to protect their own interests. Although the enterprises are not in a position to contest the local governments in this kind of scramble, they will still fight for their own interests within limits either by trying to free themselves from certain controls or through bargaining.

Since the rationing system involves the power to distribute actual benefits, the outcome of the scramble is often determined by the hierarchy, position, power, and actual strength of the economic entity within the planning system and not by its economic position in economic development and allocation of resources. The fact that power and economic position do not match is the basic contradiction of the planned supply system and is the root cause of the industrial structure imbalance and efficiency loss.

Outside the plan the forces of market manipulation mainly come from the various types of nongovernmental brokers. These brokers follow the market principle of voluntary exchange and live on high exchange fees and market prices. They can convert power, big and small, into concrete monetary value. Although they do not produce anything, they are more capable of controlling the market than enterprises with production capacity. Nongovernmental brokers often have a thousand and one links with those who enjoy monopoly under the plan. It is precisely in a market environment, where the plan

has monopoly and the majority of enterprises do not have free access to the market, that these brokers enjoy such a distinguished position.

In double-track markets, the major objective of the controlling forces outside the plan is to obtain super-profit. This mainly comes from within the operating system where the state plan has monopoly. Since operating units of planned sales are separated from the process of production and operation, and the nongovernmental brokers are attached to the planned operators, it is on the basis of the planned distribution of resources that nongovernmental brokers redistribute some of the resources. Distribution based on the highest price offered is of course more reasonable than distribution according to position of strength. However, among enterprises which are subject to varying degrees of control from different quarters it is difficult to tell whether or not the highest bidders are producers who have the most urgent need and can make the most efficient use of the scarce items. All it means is that they must be enterprises that are able to convert high costs into high prices. The degree of planned control over production, supply, and marketing and the power to set prices are closely related with the possible outcome of allocation. In other words, enterprises that are subject to less planned control and have greater pricing power are more likely to benefit from the redistribution of resources. In the opposite case, the likelihood is more remote. Thus, markets subject to this kind of control often lack the efficiency which comes with the allocation of resources according to market price.

In double-track markets the controlling forces outside the plan are actually the reincarnation of the forces of planned control. In this process involving the conversion of power-based forces into commercialized forces, the nongovernmental brokers become the supplementary forces accompanying the planned controllers. Although the nongovernmental brokers mainly rely on price control and competition in their activities in the market, the fact that they are not producers means that the super-profit they make cannot be converted into productive investment or accumulation. This is the abnormal development of a kind of commercialized market. It has the commercialized form of exchange but does not have the active feedback which this kind of market exchange has on the allocation of production resources. Here, the market-based economy has lost its most basic function in effectively allocating resources.

## 2. Markets with inadequate demand response.

Since short-term supply covered by the plan is fixed, but demand often seems to be infinite, planned equilibrium essentially means short-term equilibrium. However, since a large percentage of planned demand is fictitious, the demand realized will also include a given percentage of fictitious demand. Since the mechanism of distributing goods and materials according to power, position, and strength may result in the ability to obtain scarce items not totally conforming to the real demand, the

more levels of control there are in the distribution of goods and materials the greater the fictitious demand will be. This is because the planned demand reported at each level necessarily includes some fictitious elements. Hence, when planned demand far outstrips real demand, the demand subsequently realized will also be far greater than real demand.

Supply outside the plan has some elasticity because prices outside the plan have a particular stimulation effect. However, as far as enterprises are concerned it is only the portion of marginal revenue set aside for retention that has the stimulation effect, whereas the percentage of profit retention is often based on a given proportion of average profits or gross profits. When the proportion of marginal profit retention to marginal revenue becomes increasingly smaller the stimulation effect will decline markedly. Hence, in order to stimulate supply growth it is necessary to increase marginal revenue by a much larger proportion. Furthermore, once bonus tax and production capacity reach a critical state, marginal revenue will serve no real purpose no matter how large it is. As far as demand outside the plan is concerned the amount of raw and semifinished materials required by enterprises are determined to a greater or lesser extent by the capacity of the enterprises to bear price changes. If an enterprise can pass on costs through raising prices then its capacity to bear price changes will be quite large. In the opposite situation an enterprise would have no way of bearing price changes. Most enterprises enjoying autonomy outside the plan are capable of passing on costs and hence their demand for raw and semifinished materials is always keen.

Market equilibrium outside the plan is realized on the basis of a small elasticity of supply interval and a keen internal demand and the point of equilibrium often occurs at the maximum critical point. Even if the volume of supply remains unchanged, when the demand side is capable of raising the price of products by constantly passing on costs, the equilibrium price outside the plan will also steadily rise. If commodities bought at a low planned price can be resold without any obstacles to units outside the plan that have the demand, the equilibrium price outside the plan will represent the overall equilibrium price of double-track markets as a whole. In reality however, obstacles to such transfer do exist. True equilibrium price is somewhere between the low planned price and the high price outside the plan. The reason is that when obstacles to transfer do not exist, part of the fictitious demand will inevitably be transferred away from the plan, thereby increasing supply outside the plan and causing the point of equilibrium to move downward.

In this way prices covered by the plan are invariably lower than the double-track equilibrium price. In such a situation, where stimulation signals are lacking, it is impossible for production supply to satisfy the infinite increase in demand, including fictitious demand of various descriptions. Inadequate demand response is inevitable and the market price outside the plan is necessarily higher than the equilibrium price. However, because



supply outside the plan is conditioned by production capacity and the income effect, demand elasticity is very weak. Even if a high price is offered the enterprises will have no way of supplying more. This will inevitably result in a situation where the market price stays high and keeps rising. The response of double-track markets to this kind of keen demand, irrespective of whether or not it is covered by the plan, is always inadequate. Under the plan, this inadequate response finds expression in the fact that supply always falls short of demand. Outside the plan, this inadequate response is manifested as sustained growth in market prices, while supply capacity has almost no increased elasticity by which to respond to the various types of keen demand. Unlike markets where planned control has been lifted, here the fact that real prices outside the plan are higher than the equilibrium price cannot lead to the excessive response of production to demand. The reason for this is that the various types of controls that production enterprises are subject to have rendered it impossible for them to increase supply outside the plan without increasing planned supply; that is, to produce the two kinds of supply separately.

High prices outside the plan have a great stimulation effect on operators in the circulation sphere. This causes various types of operators to withhold goods and materials covered by the plan in circulation channels to increase supply outside the plan. This does not imply an increase in the actual volume of production supply in the circulation sphere because an increase in supply outside the plan only reflects the satisfaction of part of the demand outside the plan at the expense of part of the planned demand. As far as the actual total demand in the whole market is concerned the degree of satisfaction still demands on the producers and not on the circulation operators.

The inadequate response of supply to demand is a typical feature of double-track markets and the major characteristic of the traditional planning system. Market constraints on production suppliers are the fundamental cause of the lack of supply elasticity. The survival and development of the enterprises and the satisfaction of their interests are, to a large extent, determined by the tightness of planned control and not by their positive response to market demand and positive feedback to market prices. Even if an enterprise has the power to market its own products, thereby benefiting more, such benefits are granted by the planners. This is fundamentally different from a situation where enterprises are able to respond to market needs on their own initiative. When the anticipated returns of an enterprise do not come from market competition and hence lack the most basic market response, there is in fact no market competition between producers.

### *3. Relationship between two types of markets and their frictions.*

It is more difficult to delimit the planned market from the market outside the plan than to delimit regional markets. With the latter, geographical position, border

posts, barriers to communicating information, and commodity circulation, and the various types of relationship networks, can be used to delimit the markets. With the former however, we have no alternative but to artificially divide the same commodity between two prices and two directions within the same enterprise, department, or even circulation channel. This unavoidably results in all kinds of interpermeation and friction.

Rationing covered by the plan is entirely dependent on administrative relationships, administrative benefits, and the obligations and responsibilities that go with these. Market exchange outside the plan depends on commodity exchange relationships and has the people's direct benefits as its basis. Goods and materials covered by the plan are directly subject to temptations from the benefits of exchange outside the plan in every link from the manufacturing factory to the demand units at the end of the line. Weighing the administrative interests against the economic benefits that can be directly obtained it is often very difficult to resist the challenge of the latter. Hence, seepage and outflow can happen in every link of the planned rationing channel. Manufacturers are often unable to meet the planned targets or honor the contracts. Supply departments at the ministerial and provincial level all want to reserve some materials for emergency use, while the prefectural, city, and county authorities also withhold materials at every level. This often leads to a situation where contracts and supply quotas are no guarantee that goods will be supplied. In short, when planning and efficiency requirements cannot be duly taken care of, when partial and overall interests cannot both be satisfied, when enterprise targets and local government targets coexist, and when the interests of the individuals, the units, the localities, and the state are ill-defined, this kind of outflow is inevitable. When, as a result of such outflow, the gaps in the state plan become so wide that the growth of the national economy is directly affected, the central government will resort to compulsory administrative means to address the problems. Special control, exclusive selling rights, and the closure of markets outside the plan are measures for plugging the loopholes. The planning system cannot but rely on market monopoly to protect its own sphere of influence. On the other hand the permeation capacity of exchange, based on the principle of voluntary participation and mutual benefits between the beneficiaries of various interests, is ubiquitous. As long as the two types of market coexist, these frictions and the resultant efficiency loss are unavoidable.

The heavy fictitious demand in the double-track markets has artificially widened the gap between supply and demand. Shortage is but a superficial phenomenon. The root lies in the multilevel forces controlling the markets. Even if there are no gaps between supply and demand this kind of fictitious demand will still create new gaps, and a small real gap will be widened into a much bigger fictitious gap. When obstacles to transfer make it impossible for this kind of fictitious demand to turn into real demand there will be hoarding of scarce items which will become part of the ineffective supply.



Market forces outside the plan have a corrosive effect on the plan and are likely to jeopardize the government's development and growth targets. In order to safeguard realization of planned targets the government must step up its control over scarce items. As a result, supply which lacks elasticity in the first place will decline further. Following the strengthening of planned control there is a tendency for the double-track markets to continuously expand. As soon as supply of a particular commodity falls short, control over that market will immediately be strengthened and some markets over which control has been lifted will once again be brought under control. On the other hand, in monopoly departments of special control such as the departments of railways and transport, the nominal single price system has already given way to a multi-track price system. Under the circumstances, any control target can be converted into a given price. With the double-track markets artificially and spontaneously expanding, fictitious demand will rapidly expand. Supply growth will be curbed and the gap between supply and demand will grow. In the meantime, inflation will be inevitable.

#### IV. The Operational Movements of Various Markets

Markets where planned control is lifted and double-track markets are the most typical mechanisms of economic operations in China. Operations are much simpler in monopoly and free markets. Monopoly markets basically exercise the functions of the government or public utilities while free markets are subject to pure market regulation. It is rather pointless observing these two mechanisms on their own and it is only by observing them alongside the other two mechanisms, that is looking at the dynamic interrelations and mutual influence of all four types of markets, that something significant can be found.

##### *1. The spreading of supply-demand fluctuations or price fluctuations.*

First of all, let us observe these fluctuations in markets where planned control has been lifted. During the reform, which started with the expansion of the decision-making power of enterprises, the government delegated considerable decision-making power in matters of production, supply, and marketing. As a result, enterprises and local governments showed much greater enthusiasm and initiative in market competition. The fact that individual interests were given a greater share in the distribution of income gave enterprises the incentive to expand production and local governments the incentive to increase investment. Demand generated in this sphere soared to unprecedented proportions. The resultant increase in the demand for raw and semifinished materials and other scarce items quickly affected the double-track markets. The state then increased the self-marketing power of enterprises under the double-track system in order to spur an increase in supply. However, because the elasticity of this kind of supply was small, the supply made available was unable to meet the vast increase in demand. Since it is impossible to create

production capacity even if the state decides to invest a given amount over the short term, the gap between supply and demand in double-track markets will continue for a long time to come. As a result a situation developed whereby supply was inadequate in one type of market but demand was inadequate in another. In other words, a situation where shortage and surplus coexisted.

The demand generated by these types of open markets also affected the monopoly markets and exerted tremendous pressure on railway transport, communications, telecommunications, and other weak links. Since monopoly departments have even smaller elasticity of supply, the shortage of supply thus generated quickly spread to other markets so that practically all production sectors and markets felt some kind of unquenchable thirst for demand.

As for free markets, the gaps in demand can quickly be filled because these markets have sufficient elasticity of supply. For this reason they always managed to maintain an equilibrium in price. However, increase in income on the part of the suppliers quickly turned into demand, thereby putting pressure on the markets and further widening the gap between supply and demand.

Fluctuations in supply and demand are the precursors of price fluctuations. The pressure from supply shortage can force certain sectors of the monopoly markets to increase their prices in a disguised form and this is certainly true with double-track markets. On the other hand, in markets with excessive demand prices do not fall due to their rigid nature but rise due to the passing on of costs. Hence price fluctuations cannot reflect changes in fluctuations in supply and demand. The fact that they do not correspond has made it imperative for price or structural readjustment to be carried out to prevent a further widening of the gap.

Which readjustment to carry out is a matter of choice. Mandatory retrenchment can temporarily reduce excessive demand in two types of markets and alleviate the demand pressure in the other two types of market. However, overheated demand will only be put on hold and will not be truly eliminated or transformed. As long as the motivational and behavioral constraints in different markets on inadequate or excessive demand response are not fundamentally resolved, the solutions will be "temporary" rather than permanent and the abovementioned cycles will continue.

##### *2. Friction between the spontaneous regulation and macroeconomic regulation of enterprises.*

When faced with market fluctuations enterprises must constantly carry out spontaneous readjustment to safeguard and increase their own interests. These actions by enterprises are their reasonable response in a special market environment. However, because the market as a whole is not well-developed, these spontaneous means of regulation tend to produce an adverse regulatory force not only in effective allocation of resources but also in the gap between macroeconomic supply and

demand. Price readjustment by enterprises only forces prices up. It never brings prices down. The competition between the rigidity of cost and the marketing cost makes it impossible for enterprises to cover the gap between supply and demand through the upward and downward readjustment of prices and yet creates a powerful trend to force up the overall price level. Constrained by the income effect, the output readjustment of enterprises is not in the least affected by price signals. When income changes and changes are unsynchronized, reaction on the part of enterprises will be very slow. Enterprises still blindly launch production projects, even when supply exceeds demand, but react with indifference when supply falls behind demand. At such times macroeconomic equilibrium cannot be realized by relying on spontaneous readjustment by enterprises and the mandatory outside force has to be relied on. Inventory readjustment by enterprises is subject to the degree of market shortage and the rate of anticipated price changes. Hence, enterprises must rely on hoarding raw and semifinished materials to satisfy the need for stable supply and minimize supply costs. The higher the rate of anticipated price rise for a scarce item, the stronger the motivation for an enterprise to hoard the item, the larger the amount of funds used, and the greater the pressure for additional issuing of currency. Readjustment of the product mix in enterprises is not merely a measure designed to suit the structure of the demand market. To a large extent it is also a means of avoiding government price control. When enterprises are subject to price control they may find it necessary to stop or reduce production of products urgently needed in the market due to lack of profits. This will result in artificial shortages which are not caused by resources shortages. On the other hand, prices are high and profits are large in the new product markets. Because price control is minimal enterprises tend to rashly embark on new projects, a move that will result in production surpluses and a waste of resources. In this way, attempts by enterprises to pursue greater anticipated gains not only will go directly against the objectives of the government in controlling the price level but will also aggravate macroeconomic structural problems.

In short, when microeconomic behavior goes against readjustment activities aimed at maintaining macroeconomic equilibrium, there is no way that the economy can achieve equilibrium through spontaneous activities. On the contrary, this will produce many problems of friction and enlarge the nonequilibrium gap in the macroeconomy. In order to maintain the balanced development of the national economy on the macroeconomic level the government often resorts to straightforward means of macroeconomic regulation by inhibiting the pursuit of self interests on the part of enterprises. Although temporary macroeconomic equilibrium can be achieved in this way it is on the basis of stagnation and poor efficiency.

### *3. The operations and frictions of multiple equilibrium.*

From the perspective of market structure the realization of the central government's planned targets

mainly depends on the monopoly markets and planned markets while realization of the interests of local governments, enterprises, and individuals depends on markets where planned control has been lifted, markets outside the plan, and free markets. The operations of different markets reflect the ways various economic entities realize their major interests. To achieve rapid and balanced increases over and above the planned targets, monopoly markets and markets under the plan rely on quantitative readjustments. To maximize the returns of economic entities, markets where planned control has been lifted and markets outside the plan basically rely on demand-oriented market expansion.

In markets where planned control has been lifted the objective of enterprises is to maximize profit retention and per capita income. The greater the profit retention, the more the staff and workers receive in terms of income. Hence, the interests of individuals and enterprises usually coincide. In the meantime, increases in output will mean an increase in profits and taxes handed over, thereby enhancing the economic strength of the local authorities. An increase in the percentage of profits retained will stimulate investment growth and benefit local economic development. Hence, the interests of enterprises and the local governments are also more or less identical. The identical nature of these different types of interests has greatly promoted production and investment expansion in markets where planned control has been lifted and produced prosperity in these markets.

In double-track markets however, the interests of individuals and enterprises and the interests of the planners are not in perfect agreement. Although enterprises have some self-marketing power the stimulation effect and the elasticity of supply are rather small. In a situation where the production capacity of enterprises is limited, acute contradictions between the proportion of self-marketing and the proportion of planned sales will often result in more benefit for the enterprises at the expense of planned growth. This difference in interest is often the cause of increased operational frictions in double-track markets.

Constrained by different interests in their operations, planned markets often lag behind the economic expansion achieved in markets where planned control has been lifted and in markets outside the plan where interests are more or less identical. Shortages and stockpiling, and stagnation and expansion, are reflections of the contradictions within the market structure. They also indicate that this unbalanced market structure is produced by the frictions between the different entities with different interests and objectives.

The contradictions within the market structure will increase the obstacles to economic development. There are two options in solving this problem. First, we can open the double-track markets so they will develop in

step with other markets. Second, we can control and slow down the pace of expansion in other markets in order to suit the needs of the planned markets. The former involves considerable risks and the solution of a number of related issues. The latter is a means we are quite familiar with but it can only be achieved by suppressing the interests of the enterprises and local authorities. In the course of readjustment a decline in the income of enterprises and localities is inevitable because this is the only way that the expansion impulse can be contained. The central authorities on the other hand, may be able to secure more revenue. In this way they will be able to increase investment in the production of goods in short supply and achieve balanced growth.

Contradictions of interest always find concrete expression in structural contradictions in market operations. Changes in interest relationships and the readjustment of these relationships will also have a specific effect on structural changes in market operations. During the period of readjustment the contradictions and conflicts of various interest targets will find their full expression as the market structure tilts toward the planners through reinforcement of their interest targets. When not in a time of readjustment, the permeation of the ubiquitous behavior of market exchange will make the market structure tilt in a way that will help strengthen the interests of the enterprises, individuals, and localities.

The operation of the economy can only move back and forth along the track of this kind of multiple equilibrium. Because of its failure to find a single and efficient path that will make the interest targets of various entities coincide, economic operations remain in a state of low efficiency. It thus appears that the only way to extricate ourselves from the present predicament lies in creating an economic environment with a central equilibrium orbit that is consistent with improvement of efficiency. The economy should operate around this common interest target and all forces that may hinder the fulfillment of this target should be eradicated.

#### Footnotes

1. Here, the market concept includes not only voluntary exchange relations but also compulsory exchange relations mandated by policies, like those required by the state plan.

2. Proceeding from the market structure, this article will analyze market behavior, market operations, and market performance in order to grasp the basic dynamic links in economic operations. See F.M. Scherer's *Industrial Market Structure and Economic Performance*. Market behavior has been omitted from this article due to limited space and will be closely examined in another article.

## FOREIGN TRADE, INVESTMENT

### Fujian's Electronics Exports Situation, Prospects

90Oh0084A Beijing GUOJI SHANGBAO in Chinese  
16 Sep 89 p 3

[Article by Zheng Wenlin (6774 2429 2651): "A Probe of Fujian's Electronics Exports Situation and Ways of Development"]

[Excerpt] [Passage omitted] **Current Situation of Fujian's Electronics Industry**

In the past 10 years, Fujian Province built more than 10 large- and medium-sized electronics enterprises using Chinese and foreign investment, including Furi and Xiahua, and a group of technologically advanced enterprises; carried out one or more technological transformations for every old electronics enterprise and imported over 100 advanced production lines; established large electronics groups such as Xiahua, Furi, Hongduoli, and Tianye; built on an initial basis a complete electronics industry and formed a local electronics industrial system with a coordinated process of scientific research, production, marketing, service, import and export trade, and technological trade. In 1988, the gross output value of Fujian's electronics industry reached 2.5 billion yuan, accounting for 10 percent of the gross value of Fujian's electronics industry and showing a 18-fold increase over 1980. Fujian's electronics industry ranks among the best of local electronics industries in China and has become one of the main production bases for local electronics industry throughout China.

The export of Fujian's electronic products began in 1980, increased by leaps and bounds in recent years, and reached \$70 million in 1988. Main varieties of export goods include televisions, radios, loudspeakers, and 20-plus other products.

Fujian's electronics industry has made rapid progress in the past 10 years, but judged from its situation as a whole, it is not strong enough and has not formed the economy of scale. Its major problems are as follows:

1. Its industrial structure is irrational and development uneven. Judged from the angle of production, the structure is based on the processing and assembly of household electrical appliances and other finishing procedures. The production of traditional electronic components is extremely weak. The production of equipment for the development and investment industry which comes after the development of the electronics industry is even more rare. Most of the materials needed for the electronics production of Fujian Province are imported and transferred from other provinces. This contradiction has caused Fujian's electronics industry to lag far behind in the supply of raw materials.

2. The structure of imported commodities is irrational and variety limited. The proportion of units is greater

than that of components in the export of Fujian's electronics. Of all units exported, televisions account for as much as 86 percent, which is very risky. Moreover, marketing method is unitary, export market is overconcentrated, and 90 percent of export commodities are sold to Hong Kong. All these have restricted the development of the scale of Fujian's electronics export.

3. The prices of domestic and international raw materials have increased. There is a shortage of supply. Enterprises do not have the ability to cope with such problems. Domestic funds and foreign exchange needed for export-oriented imports and the purchase of materials are insufficient. Bases for foreign exchange delivery are unfair. Export tax refund rates are irrational. Export incentive system is not carried out. The proportion of processing of imported materials in electronic products is too high. The rate of foreign exchange earnings is too low. The cost of export is too high. All these problems have impeded the sustained development of Fujian's electronics export.

#### **The Trend and Ways of Development of Fujian's Electronics Export**

Judging by Fujian's current situation and the trend of international market, Fujian's electronics export must go through a process of gradual development. The first phase of this process is to focus on absorbing foreign capital to import advanced technology and vigorously develop electronics exports to earn foreign exchange. This phase generally will take 10 to 15 years. The development trend of Fujian's electronics export in the current phase is as follows:

##### **Orientation of development:**

Fujian's electronics industry should be guided by the international market and adapted to both international and domestic markets.

##### **Focus of development:**

In the present phase, Fujian should focus on developing the production and export of small- and medium-sized household electrical appliances and gradually consider three machines as the basis while continuing to develop the export system of units of health care and communications devices, air conditioning and heating equipment, cultural and educational household electrical appliances and to increase the ability to produce components so as to improve the ability to produce complete units of machinery within the province.

##### **Goals of development:**

The total volume of Fujian's electronics export should reach \$100 million in 1990 and \$200 million in 1995. Fujian's electronics industry will be characterized mainly as export-oriented by the end of this century. To achieve above-mentioned goals, Fujian's road of development should be "using export to earn foreign exchange—using import to raise its standards—

expanding export to earn more foreign exchange." It should strive to do the following:

1. Build and develop production bases for electronics exports to expand sources of export goods. In the present phase, it should pay attention to utilizing the existing foundation and choose those enterprises that have a higher technological level and production capacity to be developed into export bases.
2. Develop scale operations, open up avenues of foreign trade, and push more electronic products into the international market to earn more foreign exchange. The export channels of China's electronic products have always overlapped and tend to form a situation in which everybody does his own thing and affects economic scope and benefits. To develop large-scale operations, Fujian should first vigorously strengthen the construction of export-oriented groups such as Huaxia, Furi, Hongduoli, and Tianye to increase their international competitiveness. Second, Fujian should strengthen macroeconomic regulation and control, exercise unified management of major electronic products, and unite export departments to increase their resistance against foreign competitors. To open up avenues of foreign trade, foreign exchange companies should first establish extensive and effective export channels, open up markets in all directions and in a diversified manner, and gradually form a three-tier marketing and service information network—Hong Kong, Southeast Asia, North America and Western Europe. Second, Fujian should find some large companies and importers that have reliable sources of information, actual strength, and regular marketing channels so as to use their marketing channels to open up markets. At the same time, Fujian should establish a two-way feedback mechanism for the foreign trade channels of its electronics to unclog export channels. When export commodities are readily marketable and there are ample sources of goods, Fujian will be able to increase exports and foreign exchange earnings and provide an adequate material basis for imports and improvement.
3. Emphasize imports and improvement, increase staying power, conscientiously enhance the post-import work of assimilation, renovation, and transformation into Chinese products, and develop new varieties for exports. Fujian should also adopt different forms including cooperation, joint venture, "three forms of import processing and compensation trade," and leasing to import technology. Through absorbing and utilizing foreign capital, as well as joint venture, Fujian should quicken the tempo in the modernization of technology, equipment, and management of its electronics enterprises and quickly form new productive forces.

#### **Gabon Invites Increased Trade**

34190008Z Libreville L'UNION in French  
18 Sep 89 p 6

[Article by J.N.E.: "China-Gabon Trade Relations: Toward Developing and Activating Trade Between the

Two Countries; President of Chamber of Commerce Invited to Beijing Business Fair"]

[Text] On Friday morning the development and activation of trade relations between Libreville and Beijing was the focus of the conversations Mr Jean-Baptiste Ngomo-Obiang had with the commercial adviser at the Chinese Embassy, Mr Wei Jianguo.

The president of the Chamber of Commerce, Agriculture, and Industry was given an opportunity to inform the Chinese diplomat that he was completely and favorable disposed toward productive trade between our two countries in all those sectors that come under his jurisdiction. After extolling the good relations existing between China and Gabon, Mr Ngomo-Obiang in the discussion expressed the desire to his partner of seeing Beijing increase its trade relations with Libreville.

In return, the commercial adviser at the Chinese Embassy, Mr Wei Jianguo, first underscored the understanding and friendship with which Chinese desirous of trading with Gabon have always been received and on this same occasion extended an invitation to the Chinese Foreign Trade Center to visit Beijing to participate in the Business Fair from the 15th to the 29th of next November.

We note the fact that China is one of the countries that participates nearly every year in Libreville's different fairs (12 March or 17 August). Beijing's presence at these national trade fairs is always welcomed by the people of Gabon, who take advantage of it to do profitable business with them.

In the context of trade between our two countries, China is one of our customers that buys lumber, manganese, and uranium. In return, our country imports household electrical appliances and Chinese clothing.

## AGRICULTURE

### Underlying Causes of Faltering Agriculture Examined

90OH0128A Beijing ZHONGGUO NONGCUN JINGJI [CHINESE RURAL ECONOMY] in Chinese  
No 10, 21 Oct 89 pp 37-42

[Article by "Grain Increase" Problem Study Group, Economic Policy Study Center, Ministry of Agriculture: "Turn for the Better in Agricultural Situation; Fundamental Problems Unresolved—An Analysis of the Agricultural Situation in the Summer of 1989"]

### [Text] I. Analysis of the Current Agricultural Situation

Although a fairly high speed of growth in rural social gross output value continued to be maintained from 1985 through 1988, this was mainly attributable to the speed of development of nonagricultural industries, a fine development momentum also being maintained in the breeding industry, as well as in most cash crops in the

farming industry. The shortage of supply of staple agricultural products having a bearing on the national economy and the people's livelihood, such as grain, cotton, and edible oil, directly impaired development of the national economy, improvement of the people's standard of living, and social stability.

Confronted with this grim situation, the 3d Plenary Session of the 13th Party Central Committee applied the important policies of improving the economic environment and restructuring the economic order, continuing to deepen reform. Next the CPC Central Committee and the State Council convened rural work conferences to do important planning for the bolstering of agriculture. On 25 November 1988, they also issued "Decisions on Winning a Bumper Harvest in Agriculture Next Year," which required CPC committees and government at all levels to better understand the basic position of agriculture, to improve leadership of rural work, and to take genuinely effective action to win a fine harvest in agriculture in 1989.

Once again, history bestowed on agriculture a new opportunity for development.

So, just what is the situation in agriculture today? Here, we will conduct a concrete analysis in terms of both ideas and results.

An examination of the agricultural situation is as follows:

1. *Renewed understanding of agriculture's basic position.* Faced with the dual pressures of relative scarcity of natural resources and steady population expansion, agriculture's position as the foundation of China's national economy will remain absolutely unassailable for some time to come. At the present stage, China's agriculture additionally faces the following major limiting factors: First is the steady increase in volume of demand resulting from population increase and changes in the diet, which are irreversible. Second is growing depletion of supply capabilities resulting from the relative scarcity of raw materials and their uneconomic use. This situation may be amenable to change, but only to a limited degree under existing circumstances. Third, since it is difficult to effect a fundamental change within a short period of time of limiting factors such as the system, policies, and investment, fundamental solution to agricultural problems is impossible. Renewed understanding of the basic position of agriculture is a fundamental prerequisite for invigorating agriculture. The current heightening of understanding of agricultural problems is manifested primarily in the following ways: First, agriculture's problems have been a main theme from the 3d Plenary Session of the 11th CPC Central Committee to the 2d Session of the 7th National People's Congress. At the 2nd Session of the 7th National People's Congress convened in 1989, Comrade Li Peng stressed the following in his government work report: "Agriculture is a conspicuously weak link in the national economy today.

Genuine strengthening of the basic position of agriculture, a good harvest in 1989 of important grain, cotton, and oil-bearing crop agricultural products, and maintenance of steady development of other cash crops, and the forestry, animal husbandry, and fishing industries hold especially important significance in holding down price rises and stabilizing the overall economic situation." He further noted that "The development of agriculture depends, first, on the implementation of stable rural policies and the deepening of reform; second, on the spread and development of advanced agricultural science and technology; and, third, on increased investment in agriculture to improve agriculture's reserve strength for development." From the central government to local governments, close attention to agriculture is on the rise. Second, in its decisions about current industrial policy emphasis, the State Council gave a leading position to support for the development of agriculture in the development of industries. In the production, capital construction, and technical transformation fields, specific plans have been laid to increase the development of agriculture. Support policies have also been formulated, and methods for implementation worked out. Third, the whole nation's feeling of concern about the present state of agriculture is a force that truly spurs agriculture to stop hesitating and move ahead.

*2. General increase in agricultural investment.* Reduced investment in agriculture was clearly a basic reason for a 4 year faltering in agricultural production. During the 26 years prior to the 3d Plenary Session of the 11th CPC Central Committee, investment in agriculture averaged 11.9 percent of total investment in capital construction, but from 1980 through 1987, investment declined precipitously to 5.3 percent, falling to approximately 3 percent in the lowest year. Therefore, the most important change in the new agricultural policy is to change the former "two depends" in agriculture of depending on policies first, and on science and technology second to "three depends," namely "depending on policies first, on science and technology second, and on investment third. Despite state cutbacks in the scale of capital construction and the implementation of a policy of retrenchment, in 1989 the central government's investment in agriculture (including forestry and water conservancy) increased. Local governments also increased their investment in agriculture as their individual circumstances permitted. Take Shanxi Province, for example, which increased by 50 million yuan its investment in the capital construction of agriculture, up 65 percent from 1988, despite cutbacks in the scale of capital construction. Its investment in the capital construction of agriculture as a percentage of total investment in capital construction increased from 7.3 percent in 1988 to 14 percent in 1989. In addition, prefectures and municipalities also increased investment in agriculture by 25 million yuan. Anhui Province decided to allocate 30 million yuan annually from its newly increased discretionary financial resources for the building of farming, forestry, and water

conservancy. It will also apply to an agriculture development fund 1 percent of the whole province's extrabudgetary funds, 60 percent of the increase in tax receipts from township and town enterprises, individual industries and businesses, and privately owned rural enterprises taxes, and all of its portion of taxes from takeovers of cultivated land. It will also encourage peasants to invest more compulsory labor, and it will revive the labor accumulations system for a multiphase increase in investment in agriculture.

*3. Appearance of a fine momentum in the capital construction of agriculture, and in developmental agriculture.* Since the winter of 1988, all jurisdictions have generally overhauled their existing farmland water conservancy projects and their drainage and irrigation systems as their different circumstances permitted and required, and they have also built a number of agricultural capital construction projects. A new upsurge occurred in the capital construction of agriculture such as has been rare in recent years. State Council departments concerned also regarded the application of farmyard manure as an important means for increasing soil fertility, convening a special conference on this matter at which relevant plans, policies, and actions were formulated. For example, it encouraged development of factorized processing and socialized services for organic fertilizer with large-scale return to the fields of stalks and stems, and the revival and development of green manure production. Developmental agriculture for the purpose of augmenting reserve resources for agriculture got underway in every jurisdiction. During 1989, state plan development of eight tracts over a period of 3 years in Hubei, Hunan, Jiangxi, Sichuan, Hainan, Ningxia, Inner Mongolia, and Shandong was implemented. A total of nearly 1 billion yuan derived from a combination of state investment, provincial government complementary funds, and bank loans is to be invested in the transformation of intermediate and low yield farmland, and the development of wasteland and barren beach flats for the building of commodity agricultural product bases. The rise of developmental agriculture in all jurisdictions not only taps agricultural resources, but also has achieved remarkable success in soaking up surplus rural workforces in a thriving market situation to increase the peasants' income.

*4. Continuation of the building of different types of agriculture product commodity bases.* Recently, the Ministry of Agriculture and the State Planning Commission jointly issued a document announcing an investment plan for the building of commodity grain bases in 1989. They obligated 560 million yuan for investment in the building of the second group of commodity agricultural products bases, chiefly supporting grain, premium agricultural product, and famous, premium, and specialty product bases. After implementing this plan, under ordinary circumstances, gross output of grain should increase 10 percent in the third year. Mostly commodity grain and commodity agricultural product bases were built in tandem, all jurisdictions implementing "bumper harvest

plans" for grain crops, and putting into effect "market basket projects" for non-staple foods. In impoverished areas, they implemented "food and clothing projects." They also gradually instituted "performance projects" in administration and management.

*5. Accelerated spread of agricultural science and technology.* In 1989, the whole country's model winter wheat growing area covered 140 million mu, 40 million mu more than in 1988, and yields increased by approximately 15 percent over conventional cultivation methods. Zhejiang Province employed five measures for increasing yields, promoting an increase in the multiple cropping index, increasing the superior variety growing area, using high-yield specimens and blended fertilizers, and increasing the growing and intercropping of dryland grain crops to promote the development of agriculture. In particular, the setting up of demonstration fields to provide technical demonstrations of "bumper yield plans" in farming gave impetus to the promotion of new techniques over wide areas to attain the goal of increasing yields. Fujian Province continued to apply the \$2 million in foreign exchange apportioned each year mostly to the importation, breeding, and promotion of fine agricultural breeds and varieties, actively launching a coordinated attack on agricultural research projects, the active promotion of new applied techniques, and the perfection of an agricultural techniques promotion system.

*6. Universal institution of various kinds of responsibility system by administrative departments at all levels.* In order to win a bumper harvest in agriculture during 1989, quite a few areas set up different kinds of responsibility systems as realities in their respective areas required. Hebei Province, for example, continued to promoted the "group contracting" form, organizing technical personnel responsible for mud fertilizer, seeds, plant protection, cultivation, farm machinery, and information in combination with material and financial resources to do agricultural contracting for compensation. After fall sowing in 1988, 56 counties signed group contracting agreements for wheat involving 3,593 scientific and technical personnel, and a 10.7 million mu contracting area. Zhengzhou in Henan Province adopted a form in which output was contracted from bottom to top, and services were contracted from top to bottom, thereby instituting a bi-directional contracting of grain production, coordinating the interests of government and peasants, and stirring the initiative of both parties.

In order to arouse peasant enthusiasm for producing more grain and cotton, in 1989 the state raised fixed contract procurement prices by an average 18 percent, the price of oils and fats rising between 10 and 17 yuan per 50 kilograms, and the procurement price of cotton rising from 176 to 236 yuan per 50 kilograms. In addition, it instituted contracting in the allocation and transfer of cotton to help arouse the initiative of local authorities. The amount of chemical fertilizer linked to fixed grain procurement was increased from 12 to 30 jin per 100 jin of grain. The conversion of negotiated prices

to parity prices in grain procurement was abolished, and market trading in grain not covered by contracts was put into effect, prices tracking the market. In order to halt resales at profit, monopoly sale of means of production such as chemical fertilizer, agricultural pesticides, and plastic mulch was instituted.

Additionally, the decreased output of major agricultural products in recent years directly caused a rise in prices of agricultural products not covered by fixed contract procurement. Using the role of the market mechanism, once peasants fulfilled their fixed contract procurement quotas, they sought to sell their products at high market prices in order to increase their earnings. This greatly increased their enthusiasm for production, and its role in spurring output of major agricultural products, particularly grain, cannot be deprecated.

The overall role of the foregoing several positive factors enabled a new turn for the better in agriculture during the summer of 1989.

Summer grain output nationwide totaled 93.55 billion kilograms in 1989, 2.6 billion kilograms more than the all time high year of 1986.

Rapeseed output totaled nearly 16.7 million dan, up 20.7 percent from 1988.

The area sown to early paddy, and to spring-sown and summer-sown grain crops increased. In most places, the autumn grain crop is growing well.

The cotton growing area totaled 78 million mu. Although this was 5 million mu less than in 1988, it was an increase over the originally estimated area. It is also growing quite well.

Livestock and aquatic products continued to maintain growth momentum. Pork increased 4 percent, mutton 9 percent, and fish 5 percent over the same period in 1988. Pork and poultry egg supplies were ample in Beijing, Tianjin, and Shanghai.

## **II. Problems and Contradictions in Agriculture Remain Rather Prominent**

The agricultural situation in the summer of 1989 is inspiring; however, in terms of the long-term and overall agricultural development situation, agriculture's fundamental problems have not been solved very well.

*1. The investment problem.* Investment in agriculture has a bearing on the country, collectives, and peasant households. First, with regard to the country, even though almost all jurisdictions formulated plans to increase investment in agriculture and to establish an agricultural development fund following the national rural work conference at the end of 1988, and although quite a few jurisdictions actually did begin to incline the emphasis of investment toward agriculture; nevertheless, in overall terms, they found it very difficult to curtail overall investment despite repeated central government injunctions; so they were not completely able to see the need to



increase investment in agriculture. Agricultural authorities in Hubei Province reported that at the beginning of the year the province proposed a seven-part method for building an agricultural development fund totaling 140 million yuan, most of which was not carried out. A survey at Baoding in Hebei showed among the sources of funds for the agricultural development fund that the central government called for were taxes or special farm and forestry products, a rural individual industry and business tax, and a tax on privately owned enterprises, all of which were local rather than central government taxes; however, 82 percent of county finances were used to pay people for services, and the local taxes collected were not used for agriculture at all. Second, the rural collective economy found it very difficult to increase assistance to agriculture and to set up an agricultural funds since township and town enterprises were facing new difficulties, were carrying heavy burdens, and experienced a decline in returns. Finally, because of the sudden rise in prices of the agricultural means of production, increased earnings resulting from a rise in procurement prices paid for major agricultural products such as grain, were offset by increased payments for the higher priced means of production. In some places, peasant earnings from the growing of grain exhibited a tendency toward negative growth as economic returns steadily declined. Reduction of peasant investment in the land is pervasive. Unless these problems are solved fundamentally, peasant household investment will continue to shrink.

*2. The prices problem.* Prices of agricultural products has been an unresolved problem for many years. In order to win a bumper harvest in agriculture, the state readjusted the prices of grain, cotton, and oil-bearing crops in 1989, but just how much benefit did the peasants realize from this? The authorities concerned in Changde, Hunan Province did some figuring. The rise in cotton prices and the increase in the amount of chemical fertilizer tied to grain sales in 1989 resulted in a 24.54 yuan increase in the per capita earnings of the city's agricultural population. However, peasant expenditures resulting from a rise in prices of the means of production and increased taxes increased 33.11 yuan per capita. For just the three main industrial products that peasants use, namely chemical fertilizer, plastic mulch, and agricultural pesticides, price increases cost the peasants an additional 13.30 yuan per capita. The problem of a "price scissors" between industrial and agricultural products is ultimately a problem in the readjustment of benefits to cities and the countryside. Some have estimated an absolute figure of 104.49 billion resulting from the "price scissors" between industrial and agricultural products in 1987, 1.3 times the 1978 amount, and a 62.4 percent increase over the 1984 amount. However, state investment in agriculture that year was only 4.211 billion yuan, less than one-fourth the investment in urban housing construction for the same period. The need for peasant exchange at equal value, and contradictions in prevailing state price policies are extremely prominent, and their effects far reaching.

*3. The IOU problem.* The use of "IOU's" to buy on credit when funds for the purchase of agricultural byproducts were in short supply was commonplace during 1988. Although the state made vigorous efforts to solve the problem in 1989, "IOU's" were still widely used. Incomplete statistics from 12 counties on the Jiangnan Plain show "IOU's" worth a cumulative more than 750 million yuan were issued to peasants in 1988, only somewhat more than 500 million yuan of which had been redeemed as of the end of March 1989, leaving another 200 million yuan outstanding. In Jingzhou Prefecture, 145 million yuan was to have been issued as an advance payment for procurement, but as of the first 10 days of April, only slightly more than 10 million yuan had been issued. Some counties in this prefecture have made fewer agricultural loans than in previous years, as much as more than 30 percent less in some. In addition, "IOU's" have also appeared from time to time in state purchases of live hogs, cotton, and oil-bearing crops. More noteworthy, the authorities concerned hold different views of "IOU's." They are unable to agree among themselves. The Bank of Agriculture maintains that funds for the purchase of agricultural byproducts is hard demand, but the source of funds is soft supply. Business departments maintain that the "IOU" phenomenon is created by a disjunction between money and grain in the financial system, a rise in grain prices, and mutual default. Financial units maintain that financial default does not have to be related to the "IOU" phenomenon. Results of a People's Bank analysis show a strikingly contradictory situation in which more money being allocated to agriculture than in any year, while a serious shortage of procurement funds exists at the same time. When four departments show four different reasons, it seems that the issuance of "IOU's" will be unavoidable. The issuance of "IOU's" to buy agricultural products during a time of increase in the total amount of capital and people's savings provides food for thought. Actually, it is not difficult to see from behind the conceptual backdrop how the balance of investment is tilted between cities and rural villages, particularly the large-scale diversion and garnishing of agricultural funds, which increases the shortage of agricultural funds. In the final analysis, funds for the procurement of agricultural byproducts pale into insignificance in comparison with requirements in other regards; however, it is this issue that profoundly hurts the peasants' sensibilities and makes the conflict between cities and the countryside more conspicuous.

*4. The means of production monopoly sale problem.* To tell the truth, monopoly sale of the agricultural means of production is a special policy that had to be adopted because of shortages. It has as its goal the control of price rises and safeguarding of the interests of the peasants by preventing many different people from selling them, and reselling them for profit. However, it has not reached the anticipated goals in the course of implementation. First, following institution of monopoly sales, prices of the agricultural means of production rose enormously, provoking a strong reaction from the peasants. In Guangzhou, the cost of manufacturing urea rose 27.3 percent



over the same period in 1988, and its market price rose 45.4 percent. In Hebei Province, by regulation, the retail price of ammonium carbonate was not to exceed 290 yuan per ton, but since manufacturing enterprises' costs reached 287 yuan, plants were unwilling to produce it, and supply and marketing cooperatives were unwilling to sell it, so naturally the price rose. Second, the shortage of electricity and the shortage of energy for agricultural industries was serious. Hubei Province has 66 small chemical fertilizer plants, 29 of which halted production and 37 of which partially halted production in January and February 1989 because of the shortage of electricity and the shortage of coal. This added to the chemical fertilizer supply gap. Third, because of the high price of the agricultural means of production, and the peasants' shortage of cash, in many areas the agricultural means of production accumulated in inventory in producing and marketing enterprises. Fourth, business enterprises carried a heavy burden. Their capital was tied up in stocks on hand, or they even operated at a loss, a "monopoly on sales" tending to change into a "monopoly on losses."

5. *The consumption problem.* The steady increase in population plus the steady decline in the cultivated land area means that China has been unable to cross the 400 kilogram per capita grain threshold. We are a long way from attaining a "well fed" situation in grain consumption; we can only talk about "enough to eat." Nevertheless, in real life, problems in grain consumption are extremely noticeable. One is that because of the long-standing low price at which grain is sold because of government subsidization of consumers, grain waste is very serious in cities, while the state's financial subsidy burden becomes increasingly heavy. Second, the large quantities of grain ration coupons have become a second currency that may be used to obtain all sorts of merchandise, thereby expanding the consumption of agricultural products. Third the country's waste of grain to make alcoholic beverages is shocking. It takes an average of 2.5 tons of grain to make 1 ton of white spirits. In 1987 alone, 10.5 million tons of grain were converted into white spirits; and another 1.3 million tons of grain were used to make beer. These 11.8 million tons of grain equal a month's grain ration for 800 million people.

### III. Choices for Breaking Out of the Faltering Advance of Agriculture

The agricultural situation shows hope of being able to break out of its faltering advance; however, the agricultural situation is not something that can be fundamentally turned around in 1 or 2 years. Nor can conflicts between supply and demand be solved in a short period of time. Maintenance of the stable and consistent development of agriculture is our long-term goal. We believe that choices for breaking out of the faltering advance of agriculture should emphasize the following several points:

1. *Better macroeconomic management of agriculture.* New imbalances have occurred in the development of industry and agriculture as a result of the dual economic

pattern inherited from history, and the greater "tilt toward the cities" of recent years. According to 1987 statistics, nationwide profits and taxes from the processing of tobacco and alcoholic beverages amounted to 30 billion yuan, and profits and taxes from textile processing amounted to 20 billion yuan. The price difference from grain and cotton purchased at low prices was 27.2 billion yuan. The price of foreign exchange earning agricultural product exports was 15 billion yuan. When all are added together, agriculture's contribution to the country was more than 90 billion yuan. However, state investment in the capital construction of agriculture was no more than 4.2 billion yuan in 1987. This was only 3 percent of the total investment in capital construction. This is to say that the development of processing industries is still founded on the supply of low-priced raw materials, while agriculture has to continue to bear the accumulated tasks in supplying industry. This was necessary during the initial stage of industrialization, but today when the output value of industry accounts for more than 70 percent of the gross output value of industry and agriculture, for the peasants to have to continue to bear the burden of accumulations to support industrial development is to do what Comrade Mao Zedong criticized as "killing the goose that lays the golden eggs." Agricultural production is a process of bi-directional exchange of energy. In addition to natural energy inputs and consumption, it requires consumption and replacement of human labor energy. Long-term input-output imbalance will produce stagnation. Therefore, thinking about better macroeconomic management of agriculture entails: first, a fundamental rectification of the relationship between industry and agriculture, various policies and administrative methods being employed to enable a tilt toward agriculture in the allocation of resources between industry and agriculture that enables the coordinated development of industry and agriculture. On the basis of foreign experience, once per capita gross national product reaches the \$300 to \$1,000 stage, the growth rate ratio between industry and agriculture should be 2.5 to 1, and the investment ratio should be 4 to 1. Thus, not only from a conceptual standpoint, but more importantly from an action standpoint, agriculture should be placed in a basic position in the national economy. Second is the need to establish a supervisory and limiting mechanism, changing the present method whereby an assessment of cadre output value serves as a standard for cadre promotion or demotion to a comprehensive assessment system whereby agricultural and ecological criteria are made part of the system. In particular, the criterion of agricultural development or faltering should be a standard for assessing cadres. Third, until such time as the management system in which departments are separated from each other is fundamentally changed, special stress should be placed on establishing a concept of the overall situation, not permitting the peasants' interests to be harmed for the sake of the interests of one's own unit. This is the only correct way of genuinely solving the problems in agriculture.

2. *Building of developmental outlook guided by peasant behavior.* Economic activity is, after all, a process of human behavior. Success in 10 years of rural reform was an economic behavioral process following an effective removal of the shackles on rural productivity of the old system, and following peasant accession to decision-making authority over production and the right to exchange a portion of their products. Therefore, one might say that establishment of a development outlook guided by peasant behavior is an important aspect of agriculture—this distinctive industry—that cannot be overlooked. The reason for the faltering advance of agriculture in recent years has been, to a very large extent, the result of the clash between policy implementation and peasant behavior. In a socialist country, the fundamental interests of the state and the peasants are identical. However, in the course of the profound system reform in rural villages in which the traditional product economy was transformed into a commodity economy, various new contradictions were bound to arise between the state and the peasants, the peasants and collectives, and collectives and the state. Properly, reform thinking should be founded on: peasant demand for exchange of equal value and balance in the agricultural product pricing system; the need to develop commodity production and perfection of the service system; and concern for peasant interests, and advances in rural ideological and political work.

Further perfection of the contract agreement system is extremely necessary while maintaining collective ownership of land. As secondary and tertiary industries develop and a portion of the workforce is transferred out of agriculture, the land can be suitably concentrated for model farming through various forms of cooperation and partnerships following the principle of voluntary peasant participation. In most areas today, there is need to improve socialized services before, during, and after production.

3. *Need to solve agricultural legislation problems with all possible speed.* Agriculture lacks an enduringly effective mechanism for stable development. One cannot look for the origin of problems in individual occurrences, pinning hopes for solving agricultural problems on revisions of policies. Instead, one must apply standards from the angle of the law, basing the steady development of agriculture on law. For example, an "Agricultural Investment Code," could specify responsibility for investment in agriculture from the central government to all levels of local government, as well as the amount of investment in agriculture as a proportion of financial outlays, etc. As another example, in order to encourage peasants to invest, land contract periods should be linked to peasant investment. This will require a "Land Contracting Code" in which responsibilities and rights are spelled out. Use of laws to make agriculture flourish is a basic guarantee for the healthy development of agriculture, and it is also the road that must be taken to convert traditional agriculture into modern agriculture, and to convert a product economy into a commodity economy.

4. *Agricultural product procurement and marketing system and price reform.* Efforts to replace monopoly procurement and assigned procurement with contract procurement were major reforms in the agricultural produce procurement and marketing system, and they were an important stride toward commoditization. They can only go forward; they cannot go backward. Reform of the agricultural procurement and marketing system requires adherence to and perfection of the fixed contract procurement system. In addition to setting procurement quotas, this system should also remove restrictions on operations, and gradually increase fixed procurement prices enabling them to approach the market price. Second is adherence to dealings through multiple channels, encouraging peasants to enter the commodity circulation area to invigorate markets. Third is the gradual building of agricultural product wholesale markets of all kinds at all levels, eradicating regional isolation. Fourth is to continue to curtail the sale of agricultural prices at parity prices, creating conditions whereby hidden subsidies may be changed to open subsidies, reducing supply pressure, and overcoming waste. Fifth is strict control over prices of the means of production, providing support to industries that produce items used in agriculture, and lowering production costs of industrial wares used in agriculture. In short, pricing policies should be used to bring about internal price parities for agricultural products, and price parities between agricultural products and the means of production, keeping them within reasonable limits.

5. *Basing hopes for a takeoff in agriculture on science and technology.* People often say that development of agriculture's overall production capabilities encompasses the technical level of the agricultural economy, the social and cultural level of rural villages, and peasant quality. The key element among these is the application of agricultural science and technology. Scientific and technical progress and inputs of modern material to take the place of traditional resources are driving forces for the growth and development of agriculture. Science and technology hold enormous potential for increasing agricultural yields. Statistics show the application to agriculture of approximately 40 percent of achievements in agricultural science and technology today. If this rate could be increased to between 50 and 60 percent, benefits would be inestimable. In a recent speech, Comrade Deng Xiaoping said that ultimately it may be science that solves problems in agriculture. This points clearly to where the potential for agricultural development lies. However, China's agricultural science and technology forces are presently seriously insufficient. There are only 6.6 scientific and technical personnel per 10,000 people nationwide, and only one scientific and technical person per 7,000 mu of cultivated land. Of the 1.04 million personnel trained since liberation in agricultural colleges and technical schools, 630,000 have left the agricultural front. We look forward to inventions and innovations in agricultural science and technology, and we look forward even more to the application and spread to general use of agricultural science and technology.

6. *Protection of resources and the building of ecological agriculture.* China's agricultural resources are in short supply. Though it is true that scant per capita amounts result from the country's large population, the failure to protect and use resources well, and the deterioration of the ecological environment for agriculture are also important reasons that cannot be ignored. Thus, better use and protection of resources, and the building of a fine agricultural ecosystem are fundamental guarantees for long-term, stable development of agriculture that also has reserve strength. Practice shows broad prospects for development in China of ecological agriculture, and that the building of ecological agriculture poses development strategy problems of a fundamental nature. Leaders at all levels should be more fully aware; and all departments should coordinate with each other, adhering to the principles of proceeding from realities and suiting general methods to specific circumstances in the building and development of different kinds of ecological agriculture. They should link the building of ecological agriculture to development of the rural economy for the shaping of a new pattern of two benign cycles, one economic and the other ecological.

In summary, the agricultural problem is an all-inclusive problem. At the present stage, agriculture forms the basis of the national economy from beginning to end; therefore, when we ponder problems and solve problems, we must proceed from this basis. We cannot discuss agriculture's strengths and weaknesses in terms of transient bumper years or lean years, nor can we construe steady growth in agriculture solely in terms of no problems during 1, 2, or several years. Agriculture needs both investment and science; even more it needs policies. We must genuinely turn a corner in our thinking to take realistic action.

#### Survey of 40 Years of Agricultural Development

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[Article by Xiao Junyan (5135 0193 1750) and Li Shuzhong (2621 2885 1813): "China's Agriculture in the Past 40 Years—'The Rural Areas, Agricultural Production, and Peasants Have All Changed'"]

[Text] When we stood on the land of this age-old oriental country and looked back at agricultural development over the past 40 years since New China was founded, all sorts of feelings welled up in our minds: Under the leadership of the CPC, hundreds of millions of peasants have followed a tortuous path over the past 40 years. There have been joys and sorrows, and sometimes perplexity and confusion, but all in all, there have been great contributions to socialist construction.

Under the condition that there have been no obvious changes in resources over the past 40 years, Chinese agriculture has yet been able to feed a large population, which has doubled in the initial post-liberation period. It has contributed a huge fund totaling several hundred

billion yuan to the construction of an industrial basis for the republic. At the same time, great changes have also taken place in itself.

Now when you take a walk in the countryside, which was quiet in the past, you can hear the rumble of engines coming from township and town enterprises. The scene of manual labor done by man and cattle has been replaced by tractor operation. In the pockets of the peasants, which were empty in the past, there is a per capita deposit of more than 200 yuan. A Taiwan compatriot, who left the mainland for 40 years, said after visiting his mainland relatives: "The rural areas, agricultural production, and the peasants have all changed."

The Academy of Agricultural Sciences of China said in a report: "Great changes have taken place in Chinese agriculture over the past 40 years, especially in respect to the quality of labor, production structure, productive means, and production environment. It has begun to change from traditional agriculture to modern agriculture."

#### "One and One-Half Mu of Land" and 1.1 Billion Population

The biggest problem in China's agricultural development is the contradiction between insufficient land resources and the swelling of population. When we make a review of China's agricultural development over the past 40 years, we must not fail to see the following fact: China's cultivated land evidently has not increased over the past 40 years, but its population has increased from 540 million to 1.16 billion. With the world's 7 percent of cultivated land, China has yet to feed nearly 22 percent of the world's population. We cannot say that this is not a miracle.

China is a country with insufficient agricultural resources. In 1949 when New China was first established, there was a total of 1.5 billion mu of cultivated land in our country, or 2.7 mu for each person. The per capita possession of agricultural products was very low, and most people did not have enough food to eat and enough clothes to wear. From 1950 to 1952, the Chinese government carried out large-scale land reform throughout the country, which thoroughly destroyed the 1000-year-old feudalist exploitation system in the rural areas and enabled more than 300 million peasants, who had little or no land, to obtain 700 million mu of cultivated land, farm cattle, farm tools, and other productive means. As a result, agriculture was rapidly revived and developed. The gross agricultural output value of 1952 was 48.5 percent higher than that of 1949. After the land reform, the peasants were extricated from the long-term feudalist exploitation and became masters of their own houses. Their enthusiasm in production was greatly boosted, just as was described by the well-known novel "Great Changes in Mountain Areas": "All peasants, old and young, male and female, were working hard day and night, just because they had got the new land and become masters of their own houses." Until the eve

of 1958, Chinese agriculture kept on developing at a considerably high speed. During that period, in light of the demand of individual peasants and the increasing demand for agricultural products in society, in light of the fact that the technological transformation in agriculture had been strengthened, the party timely advised and led the individual peasants to take the road of mutual aid and cooperation. However, in 1958, under the influence of the "leftist" ideas, the 740,000 cooperatives throughout the country were merged into 26,000 people's communes, which were large in size and collective in nature, in several months. The "leftist" practices, such as setting high targets, giving arbitrary directions, boasting and exaggerating, and the "communist wind," were spreading unchecked, which greatly dampened the peasants' enthusiasm in production. In addition, there were serious natural calamities. China's agriculture was thus seriously affected and its agricultural output dropped by a wide margin. Market supply was insufficient, and the people's life became very difficult.

In the winter of 1960, the CPC Central Committee began to correct the "leftist" mistakes in rural work. Beginning 1962, China's agriculture entered a new period of rehabilitation. A new structure was established, which was characterized by the three-level ownership of the land and productive means by the commune, the production brigade, and the production team, with the production team as the basic accounting unit. In many fields, the management methods used by agricultural cooperatives in the 1950's were resumed. As a result, the enthusiasm of the peasants was mobilized again and agriculture was rehabilitated and developed. If we take the gross agricultural output value of 1952 as a base and the figure was 100, then the gross agricultural output value of 1957 was 124.8, that of 1962 was 100 again, and in 1965 it grew to 137.1.

Unfortunately, it was followed by the 10 years of turmoil. In rural areas, the "leftist" mistakes continued to develop and expand. The private plots of the commune members, household sideline production, and country fair trade were all regarded as the "tail of capitalism" and abolished. The peasants' enthusiasm was again greatly dampened. But in that historical period, we still have to thank the peasants for their profound feeling toward the party and socialism. With their indomitable and hard-working spirit, they were able to maintain a steady growth in grain production under the extremely complicated and difficult conditions. As a certain growth rate was maintained in its agricultural production, China was able to escape from suffering hunger in the period between 1949 and 1978, although its population had increased by a big margin. Compared with 1949, grain output increased by 169.2 percent in 1978, at an average of 3.5 percent a year, which was higher than the growth rate of the United States, the Soviet Union, West Germany, and France in the same period. Cotton output increased by 387.6 percent, or 5.6 percent annually, higher than the world's average growth rate. Oil crops increased by 103.5 percent, and the amount of live pigs in stock increased by 421.7 percent.

It was in the past decade since the 3d Plenary Session of the 11th CPC Central committee that a substantial change had taken place in China's agriculture. It was the decade of great leap.

The Chinese government began to carry out an important reform of its rural economic structure in 1978. The most important thing in the reform was to give the peasants more decisionmaking power in production and to increase the purchase prices of agricultural products. As a result, the peasants' enthusiasm burst out. They created amazing wealth with the limited land resources. In more than 8 years from 1978 to 1986, the output of agricultural products was increasing quickly year by year. In the market, the supply of chicken, duck, fish, meat, eggs, milk, vegetables, and fruit was higher than any other periods since the founding of the state. The gross agricultural output value was increasing at a rate of 6.6 percent annually during the 8 years, and the per capita consumption of grain and oil also reached the record high. The gross grain output of 1987 was 32 percent higher than that of 1978, and the outputs of other major agricultural products had doubled. The self-supporting and self-sufficient traditional Chinese agriculture began to take a new road of commercialization.

Now, when we review the development of Chinese agriculture over the past 40 years, we should not be pessimistic. The following figures accurately reflect the achievements we have made in agricultural production in that period: In 1949 when new China was just founded, the 540 million Chinese people were each consuming 195 jin of grain, 8 jin of pork, and 3.4 jin of edible oil a year. But in 1987, the per capita consumption of grain by more than 1.1 billion people was over 500 jin annually, the consumption of pork was nearly 30 jin, and that of edible oil was 13 jin. A fact that should not be neglected is that all these achievements were made on a background that the per capita possession of cultivated land had been gradually reduced from 2.7 mu in the period immediately after liberation to "one and a half mu" at present. Just as was pointed out by many foreign economists: "The greatest achievement of Chinese agriculture in the past decades is that the problem of food and clothing of 1.1 billion population has been solved."

#### **"Pig-Grain Structure" and "Prosperity in Five Businesses"**

Another spectacular change in China's agriculture is the great readjustment in its production setup.

In the 30 years prior to 1978, although the idea of developing farming, forestry, animal husbandry, sideline production, and fishery in an all-round way was correctly put forward, the stress was still laid on grain production and pig raising in the guiding ideology for rural economic development. It can be regarded as a "pig-grain structure." There were two main expressions of this structure. One was the unified production setup and low

commodity rate. In 1978, farming made up 69.5 percent of the total rural social product, 76.7 percent of which were from the planting industry. Of the planting industry, grain also made up 76.7 percent. The total output value of forestry, animal husbandry, sideline production, and fishery only made up 23.3 percent of the total rural social product. The development of rural industries and the service trade was not worth mentioning. A major defect of this production setup was that it seriously restrained the development of rural commodity economy. In 1978, the commodity rate of grain was less than 20 percent and that of other farm products was only 49 percent. Obviously, this self-supporting and self-sufficient economic situation was unable to bring Chinese agriculture onto a road of the dynamic commodity economy.

The other was the excessively large proportion of agricultural labor force, which made agricultural labor productivity unable to grow rapidly. When New China was just established, the rural labor force made up 91.4 percent of the entire social labor. In 1978, it still constituted more than 70 percent of the social labor force. Moreover, most of the rural labor force was concentrated on the planting industry. The situation that 800 million peasant were merely "working for food" had seriously affected the development of the national economy and resulted in the serious waste of labor resources.

In order to change this situation, China began to carry out a series of readjustments on the agricultural production setup in 1978. In agriculture, the principle of suiting measures to local conditions and the policy of "never neglecting grain production while actively promoting the development of a diversified economy" were implemented and the growth in the production of industrial crops was controlled within a reasonable range. In 1985, compared with 1978, the industrial crops production area increased by 61.4 percent and grain production area decreased by 9.4 percent. As the per mu yield was increased, the total output of both industrial crops and grains were increased. Grain output increased by 24.3 percent, and the outputs of cotton and oil crops were also increased by a big margin.

Apart from that, the situation of slow development in forestry, animal husbandry, sideline production, and fishery was also changed and the past pattern of unitary development of the planting industry was improved. The proportion of the output value of the planting industry in the total agricultural output value dropped from 76.7 percent in 1978 to 60.7 percent in 1987, while that of animal husbandry increased from 15 percent to 22.8 percent, fishery from 1.6 percent to 4.8 percent, sideline production from 3.3 percent to 7 percent, and forestry from 3.4 percent to 4.7 percent. This situation of "prosperity in five businesses" enabled agriculture to make a big step forward toward commercialization. Compared with 1978, the commodity rate of agricultural products grew more than 11 percent in 1987.

What is more spectacular is the emergence of township and town enterprises in rural areas. Some 81 million peasants have become workers of the township and town enterprises. It is hard to estimate the great impact it has made on China's agriculture. However, there are two points that can be affirmed: First, the great development of the township and town enterprises has provided abundant funds for the steady growth of agriculture. In 1988, the total output value of township and town enterprises reached more than 660 billion yuan. From 1978 to 1988, the township and town enterprises spent nearly 20 billion yuan on the purchase of chemical fertilizer, pesticide, and farm machinery for agricultural production and on improvement of the cultivated land. Second, the shifting of large numbers of laborers to township and town enterprises has helped increase the labor productivity in agricultural production. Especially in the eastern areas and the suburbs of large- and medium-sized cities, as a result of the transfer of large numbers of laborers, more farming machines are being used in agricultural production. In some areas, thanks to the use of farm machinery, large-scale farming operation has been realized.

#### **"Manual Labor by Man and Cattle" and Modern Science and Technology**

Through explorations over the past 40 years, China has not only improved the production relations in agriculture but also has continuously improved various major elements of productive forces, such as the quality of labor, science and technology, and production conditions.

The quality of labor has been steadily improved and is a very important part of the major elements of productive forces. Due to historical reasons, the cultural quality of Chinese peasants is comparatively low. Through the efforts in the past 40 years, quite a few peasants have changed their backward situation in the cultural field. In the past 11 years since 1978, about 100 million peasants have received all kinds of science and technological training, and more than 4 million "specialized households" have emerged in the rural areas. Many peasants are willing to invest in the development of intellectual resources and send their children to all kinds of schools to study culture and technology. This change is of great epoch-making significance. It shows that the peasants, who were ignorant and backward in the past thousands of years, have started a change to a new "intellectual type" of peasants.

Production conditions have been improving day by day. In order to change the primitive production means, the Chinese government has put in large amounts of material and financial resources for this purpose over the past decades. The scene of both man and cattle doing manual labor, which could be seen everywhere in the early post-liberation period, has gradually disappeared and has been replaced by the operation of farm machinery. Compared with 1952, the number of tractors has increased by more than 60,000 percent and reached

881,000, and the total amount of power of farm machinery has increased by more than 120,000 percent and reached 248.3 billion watts. Tractor-plowing has been realized in 30 percent of the 1.5 billion mu of cultivated land, and the proportion of land irrigated by electrical pumps has increased from 1.6 percent in 1949 to the current 56 percent. Moreover, the production of chemical fertilizer and pesticide has also been greatly increased. In 1949, only some 6,000 tons of chemical fertilizer were applied in the whole country, but in 1988, more than 190,000 tons were used.

In order to change the situation of "depending on whether" and increase the ability to resist natural calamities, the Chinese people have made great efforts over the past decades to carry out capital construction of water conservancy works on farmland. More than 80,000 reservoirs have been built, with a total capacity of 420 billion cubic meters. More than 5,000 irrigated areas, each over 10,000 mu, have been established. About 2 million motor-pumped wells have been dug and about two-thirds of the low-lying land have been improved. At the same time, more than 80,000 small hydropower stations have been built, with a total installed capacity of over 5 million kw.

China has now established a comparatively complete agricultural science and technology service system, which has more than 18,000 agricultural technology popularizing organizations and about 1 million personnel for popularizing technology. According to a survey by the relevant department, of the growth achieved in agricultural production over the past 40 years, 30 percent has the reason in technological progress. For example, during the period of the Sixth 5-Year Plan, 20 percent of the increased grain output had resulted from the use of hybrid rice technology. Besides, the plastic sheeting technology had also increased the per mu yield of cotton and corn by 30 percent.

The improvement in production conditions has also resulted in the increase in the land utility rate. The per mu yield of grain increased from 171 kg in 1949 to 242 kg in 1987, and the per mu yield of cotton and oil crops respectively increased from 22 kg and 58 kg to 81 kg and 91 kg.

Through the efforts over the past 40 years, China's agriculture has begun to change from the small-scale peasant economy into a commodity economy. While noticing this gratifying historical change, we should also recognize the grim situation facing us. Take the cultivated land for example: we may bring 100 million mu of wasteland under cultivation by the year 2000, but we may lose 200 million mu of existing cultivated land at the same time due to soil erosion and decay into sandy land. However, we will have to feed 1.3 billion people and enable them to live comfortably. Therefore, the whole party and the whole nation must still make great efforts to further develop agriculture.

The task is heavy and the road is long. The future is bright. The history of the past 40 years proves that under the correct leadership of the CPC, the Chinese peasants are able to perform miracles with their enthusiasm and creativity.

### **Agricultural Investment 'Serious' Issue**

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[Text] The low productivity of agricultural labor, the characteristics of natural reproduction, and the quite low benefits of agriculture, mean that if we truly want agriculture to become a firm base for the national economy and to obtain the needed high output we will need to invest quite a high input. This is undoubtedly correct.

However funds, as the major element in modern input, have the essential characteristics of movement and increase in value and, in the course of social reproduction, it is necessary to provide an appropriate investment environment for such funds. Only then will it be possible to effectively achieve the overall process of movement and increase in value and only thus will it be possible to achieve quite high output with a minimal amount of investment. In the serious situation where our country's agricultural funds investment is insufficient and agricultural production is stagnant and wavering, it is of course important to increase funds investment in agriculture from all sides. Thus, optimizing the agricultural funds investment environment and establishing an agricultural funds investment mechanism which is in accord with commoditization, socialization, and modernization is clearly a very important issue.

### **I. The Deep Manifestations of the Poor Agricultural Funds Investment Environment**

At present, our country's agriculture is in the process of "double transformation" and faces the grim fact that an increase in funds and the economic reproduction process are closely linked and that funds move in accordance with the rate of profit on those funds and the laws of supply and demand. Agricultural funds investment has been quite small and this is the surface cause of the insufficiency of investment. However, by deeply analyzing the following contradictory phenomena in movement of our country's rural funds over the last few years it is possible to discover that behind the surface phenomenon of a shortage of agricultural funds, there lies the deep-level crisis of a poor agricultural funds investment environment.

1. The contradiction between too much money and few funds in the rural areas is growing increasingly acute. In 1987, the national rural money circulation volume reached 98.47 billion yuan, 6.75 times the 1978 figure of 12.7 billion yuan. This comprised 67.7 percent of the total national money circulation volume.<sup>1</sup> However, the production-nature funds investment by cooperative economic organizations and households in the rural areas has seen a continual decline. In 1984 the collective investment used in agriculture, forestry, animal husbandry, and fisheries totalled 2.899 billion yuan, while in 1986 this figure fell to 1.987 billion yuan. In 1984, investment in fixed assets of a production nature constituted 4.7 percent of the total household expenditure of rural households, while this figure fell to 3.8 percent in 1985.<sup>2</sup> The funds expended on agriculture by township and small town enterprises have also seen a downward trend. In 1987, township and small town enterprises throughout the nation spent 850 million yuan on agriculture, a decrease of 334 million yuan from 1978.<sup>3</sup> This shows that at the same time as the rural money circulation volume has been growing, agricultural production funds have been declining. The development of the commodity economy has brought with it monetization but not the conditions whereby money is turned into funds.

2. The contradiction between the centralizing and dispersal of funds in the rural areas is difficult to alleviate. The tendency for rural funds to seek profit has strengthened and thus funds have been centered in secondary and tertiary industries and regions where earnings are quite high. Further, because of widespread implementation of the family output-linked contract responsibility system in agriculture, the entities which operate funds are now diverse economic organizations dominated by the hundreds of thousands of rural households. This has led to a situation where rural funds are extremely dispersed. This in turn has not only meant that a large volume of rural society's funds have flowed away from the agricultural production process, that blind movement of funds has increased, and that the funds available for investment by peasants in agricultural resource development and basic facility construction have been restricted, but also that investment of funds by the state has been restricted. This is because, in such a situation of dispersed operations, the peasants have no capacity to take on the funds risk associated with agricultural investment. Under such conditions whereby the peasant households do not have a certain economic capacity to provide guarantees, it is difficult for the state to increase funds input in projects beneficial to agricultural reserve strength. This shows that, because of the restrictions of the operational organization of agricultural production, the level of scale of funds in agriculture has been reduced and this has affected the intensification of funds. This has resulted in our country remaining for a long time in the low-level cycle of traditional agriculture. 3. The reverse flow of agricultural funds towards nonagricultural industries and urban areas has become more obvious daily. Seen just in terms of rural credit issued,

the national rural credit figure has always shown a reserve deficit [cun cha 1317 1567]. In 1987, of the outstanding credit issued by the Agricultural Bank of China, agricultural credit (issued to the state, collectives, and agricultural households) constituted only 11.4 percent of the total.<sup>4</sup> A large amount of funds have been drawn away from agriculture into urban areas and non-agricultural industries. At present, about 30 percent of total urban savings comes from peasants and every year, throughout the country, over 10 billion yuan in funds flow into the cities through peasant's accounts. At the same time, with the rise of various social fund-raising forms including that by which labor brings its own capital [yi lao dai zi 0110 0525 1601 6327], a further large amount of funds has been taken away from agriculture.

4. Funds risk in the rural areas has increased, the amount of precipitated and stagnant credit has increased, and earnings are low. Since the reforms began, the effect of the market mechanism on agricultural production has increased and agricultural funds investment has faced double pressure from natural and market risks. This has led to a situation where, on the one hand, the degree of guarantee of earnings from funds has declined and, on the other hand, the precipitated and stagnant credit originally issued by the agricultural bank and credit cooperatives has continued to increase. At the end of 1987, about 30 percent of the total credit issued by the Agricultural Bank throughout the country had fallen stagnant. According to statistics from 262 branches of the bank across the country, of a total 31.1 billion issued in credit, 15.4 percent comprised abnormal credit, such as overdue credit, stagnant credit, or bad debts.<sup>5</sup> By extrapolating from this proportion, the total abnormal credit due for repayment to the Agricultural Bank must be about 40 billion yuan. In another respect, the funds precipitated in the hands of the rural populace have increased. Because of the natural risks and market risks involved in agriculture, peasants will often store away their money rather than use it for agricultural production.

The appearance of these various contradictions is for following macroeconomic reasons:

1) The gradual widening of the "scissors" differential between industrial and agricultural products. In 1980, this was 56.9 billion yuan but by 1987 had expanded to 85 billion yuan.<sup>6</sup>

2) The great disparity between comparative benefits in agriculture and nonagricultural industries. The current relationship between agriculture, rural industry, and state-owned industry, calculated on the basis of average output value per capita employed in the sector, is 1:5.8:11.5.<sup>7</sup>

3) There has been a loss of balance between the growth speed of industry and agriculture. Between 1963 and 1965 the ratio between growth in output value of



industry and agriculture was 1.5:1; from 1980 to 1984 it was 1.6:1; while from 1985 to 1987 it was 4.8:1.<sup>8</sup> In 1988 this ratio grew to 7:1.<sup>9</sup>

4) The differential between the incomes of urban and rural residents has expanded. In 1979, the ratio between the per capita incomes of urban and rural residents was 2.9:1. Through the reforms, this ratio had fallen to 2.2:1 by 1983. However, in 1987 there was again expansion to 2.5 : 1.<sup>10</sup>

5) The agricultural production conditions have deteriorated, including a decline in the level of material equipment. The economic benefits from funds investment in agriculture are not good. There has been an increase in the prices of agricultural-use means of production and these have been in short supply and so on. In the circulation sphere, when purchasing agricultural and sideline products the issuing of "white slips" has become serious.<sup>11</sup> In addition, market development is incomplete and order in the circulation sphere is chaotic. "Profiteering godfathers" proliferate, illicit charges and required wining and dining are rampant, and the peasants thus bear an excessive burden.

All of these aspects seriously affect the enthusiasm of peasants for increasing investment in agriculture. Under the influence of these poor environment factors, although the state and the local governments have now decided to increase funds investment in agriculture from all angles, a sample survey indicates that the production investment by agricultural households this year will be universally lower than last year.

The economic theories of agricultural development show us that the decline in the rate of capital income is a basic cause for the stagnation and backwardness of traditional agriculture. In such a situation it is not possible to effectively increase reserves or investment and thus it will be difficult to effect a turn-around in the balanced situation of long-term stagnation of agriculture.<sup>12</sup> A low rate of capital income clearly is not only interrelated with the decline in agricultural investment but is actually directly determined by the funds investment environment. The harsh facts are already before us: If the poor investment environment situation is not improved, regardless of what measures are taken to increase funds investment in agriculture, the newly-added funds investment will be swallowed up by the huge "black hole" constituted by the poor environment.

## II. The Mechanism Forming the Poor Environment for Funds Investment in Agriculture

The so-called funds investment environment refers to all elements surrounding the funds investment entity which influence its investment volume, stream, and orientation and influence its investment decision making and investment results. Generally speaking it includes the economic environment, social environment, and natural environment. The various abovementioned manifestations of the poor environment for funds investment in agriculture in fact result from the comprehensive role of

these various factors but the main structural element in the agricultural funds investment environment is the economic environment. The reason the first-step reforms in the rural areas were able to realize such notable achievements lay in the fact that these reforms guaranteed, on the economic and political level, quite a good agricultural funds investment environment. However, after the first-step reforms in the rural areas realized such notable achievements and the historic record agricultural harvest in 1984, the economic environment which had been so beneficial to funds investment in agriculture saw a deterioration which resulted in a crisis for China's agriculture. We believe that the basic reason for this lies in the fact that on the one hand, the environment beneficial to funds investment in agriculture, which was brought by the first-step reforms, was established on the basis of fostering traditional agriculture. The state's management of agriculture was still basically direct management. However, when the second-step reforms began, the rapid development of the commodity economy not only widened the income differential between peasants engaged in agriculture and those in nonagricultural industries but also the state's management of agriculture gradually changed to indirect management. In such a situation the urban reforms characterized by delegation of power and allowing retention of profits meant that the various trades and industries not only would not shoulder any responsibilities for an industry with such low comparative profits as agriculture, but actually, through all sorts of irrational methods, took large volumes of funds away from agriculture. On the other hand the development of agriculture has the "two transformations" as its goal. Originally the "two transformations" should have been parallel processes and, on the basis of promoting the transformation of traditional agriculture to modern agriculture, the commoditization of agriculture would be developed. However in practice, the transformation of traditional agriculture into modern agriculture lacks the stimulus of an external force. Meanwhile the transformation of the self-sufficient or semi-self-sufficient economy into a commodity economy has simply evolved into the rapid development of nonagricultural industries. This has not only shattered the unity of the "two transformations" but has also meant that the scale and speed of production factor transfer have exceeded the degree which the rural economy and the national economy can bear. Specifically, the major reasons for the poor environment for funds investment in agriculture are:

1. Inflation has caused a deterioration in the agricultural products price reform environment and this has exacerbated the agricultural funds supply-demand contradiction. The overall process of rural reform has always been closely related to agricultural product price reform. The aim of reform is, on the one hand, to change the direct macroeconomic regulation and control of agriculture to indirect macroeconomic regulation and control. On the other hand, it is intended to effectively reduce the price scissors between industrial and agricultural products. The direct result of these aspects will be to improve the



environment for funds investment in agriculture. It can be said that agricultural product price reform is the most important aspect of improving the environment for funds investment in agriculture. However, as the scale of construction throughout the entire national economy is too great, and there is consumption funds inflation, this has led to the excessive issue of money by banks and the overall level of prices has continued to rise. Thus, inflation has brought trouble to the entire economic environment. In this situation, continuing to promote the reform of the prices of agricultural products would inevitably further exacerbate the rise in the overall level of prices. This reform has had to come to a premature end. The expansion of the "scissors" has meant that the increased funds invested in agriculture have continually flowed back to the urban areas and nonagricultural industries. Moreover, inflation has directly opened a gap between the two extremes of agricultural funds supply and demand. Seen from the supply side, the direct effect of dual inflation in both capital construction and the consumption spheres means first, that a large volume of agricultural funds are being used in other areas and, second, that the degree of increase in agricultural funds is far below that of other industries. For example, in 1987 net credit investment throughout the country was 18.2 billion yuan, of which 84.4 percent was invested in urban areas. At the same time, the scale of increase in the credit issued by the Agricultural Bank was 16.3 percent, while the increases for the Bank of China and the Construction Bank were 22 and 31.4 percent respectively.<sup>13</sup> Seen from the demand side, the crux lies in the fact that inflation has broadened the gap between the demand by agriculture and the demand by nonagricultural industries. This has resulted in a great increase in ineffective demand for funds by nonagricultural industries while effective demand for funds by agriculture is relatively insufficient.

2. The financial redistribution system is irrational, resulting in the funds investment environment beneficial to peasants and agriculture, which was formed through agricultural product price reform, once again moving towards tightness. If the state is to reduce the "scissors" between industrial and agricultural products it must reduce its financial revenue obtained from agriculture. Then, if a balance is to be maintained between financial revenue and expenditure it will be necessary for it to reduce the consumption subsidies paid to urban residents and increase market restrictions on enterprises. However, in recent years the urban reforms have not attained essential progress and the urban and rural areas are not yet in market environments of the same degree of development. After the prices of agricultural products were raised, in order to satisfy the expectations of urban consumers for the reforms and guarantee a stable political environment, the state continually increased the financial subsidies provided to enterprises and urban agricultural and sideline product consumers. This led to an increase in state financial expenditure which inevitably led to a reduction in funds expended on agriculture and the withdrawal of hundreds of million of yuan from

agriculture to supplement the financial expenditure. The quite relaxed funds investment environment which agricultural product price reforms gave the peasants was thus reversed.

3. The bias towards nonagricultural industries in credit policies and the lack of a policy environment conducive to agricultural development has meant that, in the cyclical oscillations brought by inflation and cutting back, a large volume of funds have been extracted from agriculture. In Sichuan, in 1988, the Central Bank's further raising of deposit reserve funds requirements resulted in a reduction in credit provided by the Agricultural Bank and credit cooperatives for the year of 240 million yuan. Also, 5 billion yuan of 1987 special deposits in the credit cooperatives, after reaching maturity, continued to be appropriated. At the same time, the Central Bank issued to the Agricultural Bank and credit cooperatives 350 million yuan of key construction bonds and financial debentures. These measures alone took 70 percent of the Agricultural Bank's increased deposits for that year.<sup>14</sup> The large volume of funds appropriated were clearly for use in funding the deficit resulting from inflation of capital construction and consumption funds. This resulted in the Agricultural Bank and the credit cooperatives having insufficient credit funds. Agricultural and sideline product purchase funds were thus extremely tight and the only option was to tighten production so as to guarantee purchases. Thereby the agricultural production and circulation environment saw a marked deterioration.

4. The irrational industrial structure has caused the supply of agricultural funds to be in a disadvantageous position for a long time. Since the founding of the PRC, there has been a great lack of accord between the speed of change in the output value ratio between industry and agriculture and the level of national income. From 1949 to 1979 the agriculture's proportion of the total national output value dropped from 84.5 to 45.9 percent, while the industrial output proportion grew from 5.5 to 54.1 percent. However, by the 1980's the per capita national income was just \$300.<sup>15</sup> The result of rapidly increasing the total industrial output value with such a low income level has been the inevitable creation of a situation disadvantageous to funds investment in agriculture.

5. The passive behavior of local governments in terms of increasing investment in agriculture. Seen in terms of the fact that agriculture is the base of the national economy, increasing funds investment in agriculture is naturally the unshirkable responsibility of the government. Since the reforms began, the state's share in national income distribution has declined from 37 percent in 1978 to 26 percent in 1985. At the same time, financial subsidies take up over 30 percent of annual financial income and in some years this exceeds 40 percent.<sup>16</sup> Thus, the state's investment capacity is extremely limited. The state, through delegating power and allowing retention of profits has turned over responsibility for investment to local governments. However, there is no mechanism which encourages local governments to increase funds

investment in agriculture. The local governments are usually engaged in seeking to double their region's output volume and satisfying the high income and high consumption targets of the residents. They seek industrial and commercial projects which produce great profits and see quick results, thus investment goes into capital construction and into building tourist hotels, using up and diverting funds earmarked for agriculture. For example, in Sichuan from 1985 to 1987, the amount spent on cars (2 billion yuan) was far greater than the amount spent over the same period throughout the province on agriculture (1.56 billion yuan).<sup>17</sup>

6. The imbalance in regional economic development has distorted agricultural funds flow. Our country has three major economic belts: The eastern, the central, and the western. The level of economic development gradually descends from east to west. A worrying phenomenon is that in the developed areas of the eastern region, in a situation where nonagricultural industries have seen quite great development, there has been no resultant increase in the funds invested in agriculture so that agricultural growth can keep up with the needs of economic development. On the contrary, signs of the withering of agriculture have already been observed. Meanwhile, the central and western regions, lacking the funds and other major modern investment elements, have put their limited funds into developing non-agricultural industries. This has produced an investment vacuum for agricultural funds overall.

7. The socialized service system for agriculture is not complete, there is little scientific and technological input in agriculture, and science and technology propagation teams are not stable. At present, there is only one specialized technician for every 7,000 mu of cultivated land in our country, over one-half of the townships and small towns throughout the country have no agricultural technology station, two-thirds of villages have no technical service organization, and the phenomenon whereby agricultural technology researchers are leaving agriculture is becoming daily more serious. These aspects have greatly affected the raising of funds earnings in agriculture.

8. The defects of the land system have seriously affected the enthusiasm of peasants for investing funds in agriculture. The current system of small-scale family operations characterized by equal division of plots has restricted the centralization of land and the intensification of cultivation. This has meant that farmers skilled in planting are unable, through centralizing land, to engage in large-scale and sustained investment in agriculture. Also, because of the "moment" [shi cha 0528 1567] between agricultural earnings and nonagricultural earnings, peasants who have almost left agriculture continue to occupy land for long periods of time which, due to their dual occupations, has low efficiency. They will neither give up planting nor put all their efforts into it and are unwilling to put in additional investment. This has already become a major internal element affecting the investment of funds in agriculture.

### III. Thoughts on Putting in Order and Improving the Funds Investment Environment for Agriculture

How are we to effectively put in order and improve our country's funds investment environment for agriculture? In recent years, two different ideas have appeared in theoretical circles. One is that the major need is to resolve, through many avenues, the problem of agricultural product prices being too low. The other is that the crux lies in establishing, within the agricultural sector, a more effective land centralization mechanism. We believe that the poor funds investment environment for agriculture has been produced by both internal and external factors. Using a method which addresses only one side of these factors will make it difficult to prove effective either at the theoretical or practical level. The proposal which sees pricing as the breakthrough point clearly ascribes the poor investment environment solely to external factors. Seen in terms of the overall economic environment at present, achieving the original goals of reforming agricultural product prices is actually impossible. The proposal which takes land reform as the breakthrough point clearly ascribes the poor investment environment to agriculture itself. Land centralization can be seen as a measure for putting in order and improving the agricultural funds situation. However, the problem lies in the fact that just doing this will be insufficient to improve the external environment and the present situation of a poor environment for funds investment in agriculture is to a large degree produced by agriculture's external factors. We believe that in improving the economic environment and rectifying economic order at present we should consider, in an overall way, measures for putting in order and improving the funds investment environment for agriculture.

A. We must adopt effective policies to readjust the national income distribution relationships so that the interests lever tilts towards agriculture.

1) We must establish a stable agricultural investment gradient policy. Within the state budget, agricultural investment should, on the existing basis, be increased by 1 percent every year to strive to achieve double figures within the Eighth 5-Year Plan.

2) We should continue to promote agricultural product price reform, reduce the disparity between urban and rural primary distribution and redistribution, and prevent the expansion of the "scissors." The reform of agricultural product prices will better bring into play the role of market mechanism, guide the actions of producers and consumers, and rationally deploy resources. However, because of the characteristics of agricultural production, we cannot completely rely on the market mechanism for prices. At present we can only rely on the strategy of small readjustments and overall stability and, through reducing the price differentials under the "dual track system" and reforming the urban welfare subsidy system, it will be possible to bring about a change in the urban and rural primary distribution and redistribution

mechanisms. This will ensure that the urban-rural income differential does not expand and will increase the peasants' funds investment sources.

3) The retrenchment policies should be reduced in accordance with the sequence industry-rural industry-agriculture so that, during the retrenchment, agriculture will retain sufficient development opportunities. At the same time, it will be necessary to formulate monetary and credit policies which are beneficial to agriculture. First, there should be an appropriate reduction in the deposit reserve fund ratio for the Agricultural Bank. Second, the Central Bank's recredit interest rate and rediscount rate should be lower for the Agricultural Bank than for the urban banks, to regulate its differential earnings.

B. The rural development strategy which has funds supply restrictions as guidance should be reselected. If agricultural development is to be guaranteed and there is to be a relaxed environment for its funds investment so that agricultural funds supply is truly effective supply, demand is truly effective demand, and the level of intensification of funds is increased, there needs to be a major strategic readjustment of rural development strategies. There also needs to be a slowing of the development speed of nonagricultural industries in the rural areas, to weaken the scale and speed at which township and small town enterprises shift rural funds and achieve a situation whereby the disparity between the comparative earnings of agriculture and non-agricultural industries is not too large. This is because: a) During the entire initial stage of socialism the rural areas have the dual goals of developing nonagricultural industry, transferring the rural labor force, and firming the agricultural base. The latter goal is a more important strategic issue than the former. We cannot have people using our limited funds in vying to invest in nonagricultural industry; b) The township and small town enterprises which form the majority of nonagricultural industry in the rural areas have comparative labor productivity rates and comparative funds concentration rates much higher than those of agriculture. The current situation where small town enterprises mainly rely on credit for their operations will result in agriculture lacking effective credit support; c) With the situation in our country where the level of the agricultural productive forces and the level of labor productivity are quite low, the excessive speed of development of township and small town industries will result in a reduction in investment in the various planting industries and land productivity will decline; d) In the situation in our country at present where it is not possible, in the short-term, to basically change the external environment for agricultural funds investment, agricultural unit-area income is very low and there is a great gap between the comparative benefits of agriculture and township and small town enterprises, then no matter which entity increases investment in agriculture, in all cases it will increase the marginal costs of agriculture, reduce marginal earnings, and further increase the income disparity between agriculture and

non-agricultural industries. If we want to truly create for agriculture a relaxed overall investment environment in the overall ordering of the economic environment, it will be necessary for township and town industry to maintain a suitable level of growth and thereby have effective supply of funds control and guide effective demand for funds.

C. Correctly selecting the pace of reform for rural marketization. Theoretically speaking, a developed commodity economy requires a complete and fully free market as a guarantee. However, production determines exchange and the level of development of the commodity economy objectively determines the degree of market development and the degree of freedom in reform choices. Any pace of market reform which lags behind or transcends the level of the rural productive forces or the degree of development of the commodity economy will produce results opposite to those desired and which will worsen the economic environment. This in turn will weaken the activities of the investment entities. At present, although our country's agriculture is in the process of changing towards a large-scale commodity economy, the establishment of developed commodity agriculture based on modern agriculture is still a long way off. The commodity rate for food grain, the main product of our country's agriculture, was only 32.4 percent in 1987, 1.3 percent down on the previous year.<sup>18</sup> In such a situation, trying to regulate the comparative interests of agriculture and nonagricultural industry by completely freeing the market to achieve a balance between supply and demand and raise peasants' enthusiasm for increasing funds investment in agriculture, will only result in a clash between commoditization and marketization. We believe that the situation in recent years where agriculture has been sluggish and wavering and reforms have not made any advance is, to a great degree, related to this excessively idealistic marketization reform model. In the practice of reform, whenever there are obstacles in production or circulation people only seek solutions in freeing the market and feel that, by freeing the market, it will be possible to effectively utilize the law of value and thereby escape the problems; however, the results of such ideas in practice have not been ideal. We believe that the circulation system reform goal model involving "many channels, few links, and an open style" is undoubtedly the ideal model for the reform of our country's commodity circulation system. The realization of this model will of course be a gradual process. The improvement of the agricultural funds investment market environment must correctly choose the reform measure for introducing the market in the rural areas. On the one hand, there must be unwavering adherence to combining planning and the market and appropriate opening of the market. On the other hand, in accordance with the demands of the development of the rural commodity economy we should develop a standard market system.

D. We must implement the commoditization of land operations. Land is the most basic means of production

in agriculture. If we want peasants to engage in long-term investment in land we have to give them a property rights relationship with the land and have the land enter the track of commoditization. Otherwise, the enthusiasm of the peasants for investment will not be high and short-term land operations will be unavoidable. The state ownership of land clearly does not meet this aim, while private ownership of land might well result in land relationships diverging from the socialist operational orientation, produce chaos in rural production relationships and damage the agricultural productive forces. The only option is to recognize the state collective as the holder of legal ownership rights over the land and the peasants as the holders of operational ownership rights. In law, the state and the collective will be the ultimate owners of the land and will be able to charge land rent. The peasants will have long-term operational rights and should be free to transfer operational rights in compensated transactions. Only then will it be possible to effectively implement the commoditization of land.

#### Footnotes

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2. *China Statistical Yearbook*, 1985 to 1987.
3. Data supplied by the Statistical Section of the Township and Small Town Enterprise Office under the Ministry of Agriculture.
4. Agricultural Bank of China *Rural Banking Statistical Yearbook*, 1987.
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6. See JINGJI XINXI BAO, 15 November 1988.
7. Guo Shutian [0948 2579 3944] et al, "Establishing a New Relationship Between Industry and Agriculture and Between the Urban and Rural Areas," in JINGJI RIBAO, 7 January 1989.
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12. Shu Erci [5289 1422 5412], "Transforming Traditional Agriculture," Commercial Press, March 1987, p 64.

13. Agricultural Bank of China: "A Macroeconomic Analysis of Rural Credit in 1987 and Some Suggestions," RURAL BANKING INVESTIGATION AND REFORM, 1987, No 7.

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16. Dai Xiaojing [2071 1420 0079] et al: "An Analytical Report of Agricultural Development Statistics Since 1978," ECONOMIC RESEARCH REFERENCE MATERIALS 1988, No 195.

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#### Hunan Issues IOU's to Grain Farmers

40060016A Beijing JINGJI RIBAO in Chinese  
3 Nov 89 p 1

[Summary] Gross output of late rice in Hunan Province is expected to reach 52.5 billion jin, an increase of 1.8 billion jin over 1988. However, the major problem facing Hunan is a shortage of procurement funds. Yueyang City needs 200 million yuan to procure 30 million jin of contracted grain and 500 million jin of negotiated grain; however, at present the city has only raised 20 percent of the funds. In September 80 percent of the city's grain stations had stopped grain procurement due to a lack of funds. Nanxian County fulfilled its grain procurement task of 161,500,000 jin at the beginning of August, but due to a lack of funds, issued IOU's worth 19,490,000 yuan. Farmers in the county have over 100 million jin of surplus grain to sell, but grain departments stopped buying in the middle of September. Some people are taking advantage of the opportunity to reduce grain prices and engage in speculation and profiteering. The conditions described above are common throughout Hunan.

#### Jiangxi Afforestation

40060013D Nanchang JIANGXI RIBAO in Chinese  
22 Oct 89 p 1

[Summary] As of 20 October, Jiangxi had afforested nearly 1 million mu.

#### Jiangxi Plans Crop Changes

40060013C Nanchang JIANGXI RIBAO in Chinese  
22 Oct 89 p 2

[Summary] Paddy rice accounts for 96.6 percent of the grain grown in Jiangxi Province; dry grain accounts for

only 3.4 percent, and gross output is only 520,000 tons. The corn area is merely 100,000 mu, and gross output is 10 million kilograms. Every year Jiangxi ships in nearly 500,000 tons of corn and bean cakes for feed from the north and northeast. Shortages of feed materials restrain the development of the livestock industry in Jiangxi. To increase feed supplies, Jiangxi plans to plant 2 million mu of idle winter fields to barley, and intercrop 2 million mu of watermelon, soybean, sweet potatoes, and peanut fields with corn.

### **Shanxi Fertilizer Prices Increase**

40060013E Beijing *NONGMIN RIBAO* in Chinese  
4 Oct 89 p 2

[Summary] In 1985 the price of urea in Shanxi Province was 520 yuan per ton, in 1989 the price is 750 yuan per ton. The price of ammonium bicarbonate was 175 yuan per ton in 1985, in 1989 the price is 240 yuan per ton.

The price of phosphate fertilizer was 172 yuan per ton in 1985, and in 1989 the price is 295 yuan. Reasons for the price increases are:

Demand exceeds supply.

Because raw material prices have increased, business expenses have increased. In 1988 the average cost of production for small fertilizer plants (ammonium bicarbonate) in Shanxi was 198 yuan, surpassing the producer price of 145 yuan set by the state in 1986. Transportation costs per ton have increased from 0.18 yuan to 0.30 to 0.40 yuan.

To prevent taxes from going outside their districts, local governments set prices at the same level or higher than neighboring districts.

Purchasing departments are allowed to increase prices.

Prices are determined by the highest price set by the government.

### Liu Xiaobo 'Practices What He Preaches'

40050672A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 142, Aug 89 pp 42-45

[Article by Ceng Huiyan (2582 1979 3601): "Liu Xiaobo Pays a Heavy Price for His Sense of Responsibility to the Nation"]

[Text] Liu Xiaobo [0491 2556 3134] returned to Beijing from the United States in order to prove he is an intellectual who practices what he preaches. He wanted to throw himself into that great transformation with action. His decision to participate in the latter part of the student movement is motivated purely by an intellectual's concern for his country and his people and his sense of responsibility to nation and society. Caught in the eye of a storm, he still manages to keep his cool, good sense, and analytical and critical faculties.

We cannot turn back; Either we find freedom in our impasse Or we perish in it. But death does not belong to the Chinese people who have awakened!

This is the short poem written by Liu Xiaobo, lecturer in Chinese at Beijing Normal University, who holds a doctorate in literature, on 2 June as he and Hou Dejian [0186 1795 0256], Zhou Duo [0719 5305], and Gao Xin [7559 2450] went on a hunger strike.

Today, Liu Xiaobo has been arrested and put on trial by the Beijing public security bureau on charges of "directly participating in and inciting disturbances and riot." As a prisoner, his fate hangs in the balance.

### My Old Prejudice Against the "Lunatic"

To be honest, I used to be prejudiced against this "lunatic," believing that he was too extreme in the way he conducted himself and handled things. I used to think his polemical style lacked moderation and tolerance. His merciless criticisms and bitter sarcasm are reminiscent of Lu Xun [7627 6598]. Maybe I have been too much under the influence of the "doctrine of forgiveness"; his style never endeared him to me.

During summer vacation last year, I returned to Hong Kong from the United States. A good friend of Liu Xiaobo's went to the trouble of traveling the long distance between Hong Kong and Beijing and brought me a critical philosophical work by him entitled *The Criticism of Choice: A Dialogue With Li Zehou* [2621 3419 0624]. He recommended it earnestly, adding that the book was in great demand on the mainland, a best seller. In book stalls operated by private individuals, the book was selling for several times its original price. Not only that, but the buyer must also agree to buy a slow-selling work.

Still I let him down. For an entire summer the book sat there on the shelf, unattended. It did not occur to me to take it with me when I returned to the United States in early November.

### Hurling a Series of "Bombs"?

A few days after I arrived back in the States, I heard that Liu Xiaobo had ended his 3-month lecture tour at Oslo University in Norway and had moved to the University of Hawaii. In early March, he arrived in New York.

He was very active throughout his stay in the United States, making speeches at university after university. For instance, he was invited to give a lecture at Harvard University, which was presided over by the director of the East Asia Department, Du Weiming [2629 4850 2494]. In early April, he and Bei Ling [6296 1545], a poet, organized the "Modern Chinese Intellectual Self-Examination Symposium." On 18 April, he and Yu Dahai [0060 1129 3189], Jiang He [3068 3109], Bei Ling, Li Shaomin [2621 1421 3046], Fang Zhiyuan [2075 1807 6678], Wu Mouren [0702 3664 0086], Chen Jun [7115 6511], Hu Ping [5170 1627], and Cao Changqing [2580 7022 7230] jointly released a "reform suggestion," putting forward five proposals, including the "careful and comprehensive review of government policy errors in the spheres of politics, economics, and culture in the 10 years of reform," in order to overcome the crisis.

On 22 April, Liu Xiaobo issued an "open letter to all college students in China" jointly with the above-named individuals in which he made seven suggestions, including "strengthening the organizational ties that have been formed in the latest activity in order to act more effectively as a solid entity."

What made me look at Liu Xiaobo afresh is the article he published in SHIJIE RIBAO in the United States on 22 April: "Reflection on the Death of Hu Yaobang." The article comprises three parts: First, who is the real tragic hero, Hu Yaobang or Wei Jingsheng [7614 0079 3932]? Second, should we establish a perfect system or build up a perfect leader? Third, what is more important, the objective of Chinese democratization or procedures? The article is full of thought-provoking questions and original ideas. It was widely applauded and praised as Liu Xiaobo's most "significant work." Nevertheless, the article also contains a number of extremist views which prove controversial. A Chinese scientist living in the United States wrote a rejoinder disputing some of the points raised.

Reporting on the arrest of Liu Xiaobo on 23 June, Central Television released a letter signed by Wang Zhao [3769 2507], which charged that even before leaving China Liu Xiaobo harbored the idea of hurling a series of anti-CPC, antipeople "bombs." Once abroad, with nothing to fear, he proceeded to do just that. What is not known is whether this article counted as a "bomb."

Liu Xiaobo made these poignant points in the article:

"Why have the Chinese people suffered similar tragedies (beginning with Qu Yuan hurling himself into Guluo Jiang)? Why are the Chinese so much more nostalgic for tragic heroes like Zhou Enlai, Peng Dehuai [1756 1795

2037], and Hu Yaobang than for tragic heroes like Wei Jingsheng? Are we to believe that the latter is worth much less than the former (as an individual and as a political victim)? We all know the answer to the first question: Autocracy, by its very nature, can tolerate no dissidents, even dissidents who have helped it. Thus, the tragedy of the likes of Hu Yaobang is not personal, but institutional. As long as the autocratic system exists, this kind of tragedy will continue. Longstanding autocracy has created a parade of tragic heroes of this variety. These are their characteristics. Despite their loyalty, they are not trusted; despite their honest admonitions, there is no room for them..."

#### "At the Entrance to Hell"

This article sparked my interest in getting to know Liu Xiaobo, his person, and his doings. It was then that I stumbled upon an article of his in a political-commentary magazine. The article was entitled "At the Entrance of Hell: Marxism Reconsidered."

I discovered that the process of mental maturation he described in the article is common to our generation.

Liu Xiaobo said that, like many young Chinese, at one time he believed in Marxism fervently and religiously. This kind of belief derived from the knowledge vacuum created by cultural autocracy as well as ignorance.

"My adolescence and youth were spent in a near cultural desert. Even today, I still could not forget how moved I was on reading the *Communist Manifesto* the first time. I was deeply touched by the passion and self-confidence that ran throughout the book. But I like Marx's earlier works even better. They are more philosophical and have a stronger sense of rebellion, of noncompromise. The latter, in particular, has had a profound influence on me. In addition, their ample knowledge of the history of philosophy proved a source of information and inspiration for me when I studied Western philosophy later. Marxist works were the background of my earliest knowledge. They may stay with me forever—as the object of an absolute belief or as the object of critical study. I hope that as an absolute belief, Marx is dead as far as I am concerned, but that he would live longer as an object of critical study."

"Liu Xiaobo is an ordinary citizen in an autocratic nation that holds Marxism as the absolute authority. That he wants to reexamine Marx with a critical attitude may strike some people as an invitation to disaster or asking for trouble."

What then prompted him to do what he did?

In his article, he quoted a passage from the *Introduction to a Critique of Political Economy* in which Marx explored the truth, "As at the entrance of hell, there cannot be the slightest timidity or hesitation at the entrance of truth." This passage, laden with the spirit of suffering of Jesus Christ, was one of the forces that drove him to write this article. "Thus I am perfectly willing

even if I am burned to ashes by hellfire. In no way am I giving my life for the motherland, the people, the four modernizations. Nothing that respectable at all. What I am doing is simply being completely responsible for my own choice. Whether I go to heaven or to hell depends totally on myself."

#### Liu Xiaobo and the "Chinese Democratic League"

I began revising my opinion of Liu Xiaobo and seriously studied the "Liu Xiaobo phenomenon." During this period, I kept hearing news about him from friends on both the East and West coasts. One moment he was said to have been hired by Columbia University as a visiting scholar; another moment it was rumored that ZHONGGUO ZHICHUN wanted to make him its editor in chief, and that he had not accepted. But he is a scholar "with friends all over the world." People in the cultural community refer to him jokingly as "omnipresent Liu Xiaobo." What we did not know was that "maintaining close ties to Hu Ping and others of the China Democratic United League" also became one of the crimes he has been accused of.

Actually, Liu Xiaobo has had his own criticism of the China Democratic United League. He writes in "Reflection on the Death of Hu Yaobang," "In reform in recent years, a large number of intellectuals in search of democracy have displayed a worrisome mentality. Invariably, they try their best to draw close to the enlightened faction in China's top echelon of decisionmakers, itching to instantly be their aides and advisers. A close relationship with a high-ranking official is considered a vital asset of which these intellectuals are immensely proud. Often, they hint at this or that figure in an intriguing tone. On the other hand, they do everything to steer clear of people of the Democracy Wall and the democratic organization of Overseas Chinese students, ZHONGGUO ZHICHUN. (While this organization has all sorts of disappointing and even intolerable defects, after all, it is a spontaneous democratic organization among overseas students, an experiment in the march toward the institutionalization and systematization of democracy by China's young intellectuals. It cannot be worse than the ruling party.)"

#### Coming Home in the Course of the Democracy Movement

The Chinese Communist authorities have also accused Liu Xiaobo of deliberately returning to Beijing from the United States at the beginning of the unrest and "immediately linking up with his good friend and leader of the Self-Government Association of the Students of Institutions of Higher Education in Beijing, Wuer Kaixi [0710 1422 7030 1585], and Wang Dan [3769 0030]. He took an active part in such activities as propaganda, writing, making speeches, and soliciting donations. He drafted and distributed 'An Open Letter to the Party Committee of the Beijing Normal University' and 'A Letter to

Overseas Chinese and Foreigners Concerned About Chinese Affairs,' stopping at nothing to confuse and poison people's minds..."

#### **Under What Circumstances Did He Decide To Return to China?**

We must go back to late April, when a meeting called "China Seminar 1989" was held in San Francisco in Marin County. It was attended by well-known writers and scholars from both sides of the strait as well as China experts and mainland scholars in the United States. With its strong lineup, the meeting was truly a constellation of talent. There were a dozen or so famous intellectuals from the mainland, including Liu Binyan [0491 6333 7159], Wang Ruoshui [3769 5387 3055], Wu Zuguang [0702 4371 0342], Ge Yang [2047 7122], Bei Dao [0554 1497], Shao Yan [6730 3601 4382], and Wu Tianming [0702 1131 2494]. Liu Xiaobo was also invited. I covered that remarkable gathering, fully expecting to find Liu Xiaobo there. To my surprise he had left for Beijing on 27 April. I was told that he returned to prove that he is an intellectual who practices what he preaches. He wanted to plunge into that great transformation with action. Some people were worried for him, believing that his return then would make the authorities think he was an "evil backstage manipulator" or somebody charged with the mission of an overseas organization.

Liu Xiaobo dismissed such worry, saying, "My foremost concern is to fulfill my responsibility as a university teacher. All my activities in New York have been open. In all my writings, I stress the independent personality of an intellectual and his being above and detached from any political organization. I emphasize the regularization of democracy and the principle of nonviolence."

Bei Ling, a friend of Liu Xiaobo's and a mainland poet now living in the United States, later said that another reason he decided to return to China then was that his former PhD supervisor (Liu Xiaobo obtained a doctorate in literature from Beijing Normal University on 25 June 1988) happened to write to him at the time, telling him that the Chinese department at the university had scheduled classes for him and hoped that he would return home to take up his teaching post as soon as possible. At the same time, Liu Xiaobo had just been offered a position as visiting scholar at Columbia University. This put him in a dilemma. But he recalled that his supervisor, promoted by a sense of justice, had acted as his guarantor when He Dongchang [0149 2639 2490], vice chairman of the State Education Commission, on account of his academic viewpoints and incisive literary interpretations which some people find unacceptable, put difficulties in his path when he applied to leave China for Norway. The University of Oslo had invited him to lecture there as soon as he obtained his PhD. Only his supervisor's action enabled him to leave. To avoid getting his supervisor into trouble and to honor the pledge he made before he left China, Liu Xiaobo decided to go home. To preclude a change of mind, he even bought a ticket that allowed no change of date.

Bei Ling also recalled that one day he suddenly got a call from Liu Xiaobo informing him that he would leave for home in 2 days. Bei Ling rushed to Liu Xiaobo's place at once. Liu Xiaobo said, "Bei Ling, we cannot stay in New York at this point in time. Isn't this the moment we have prepared for all our lives? These days we sit in front of the TV every day, watching those young and pure students of the motherland taking to the streets in a struggle for the nation's tomorrow. Look how sincere, orderly, firm, peaceful, and rational they are. We cannot simply feel emotional and shed tears on this side of the ocean. We all teach at a university. We must return to join the people and students of the motherland."

#### **Keeping His Cool and Level-Headedness in the Eye of the Storm**

Thus Liu Xiaobo left without looking back. "He was mentally prepared for everything that could conceivably happen. He thought of being imprisoned, of spending long years behind bars, even of being tortured, of being subject to endless humiliation as an intellectual. But it never occurred to him that the government would fire on peaceful students and send tanks and armored cars to roll over their bodies. How can good and honest people even imagine such things? (See "We Have No Other Choice: Remembering My Friend Liu Xiaobo," by Bei Ling.)

As we all know, Liu Xiaobo plunged into the earthshaking storm the moment he stepped off the plane. Although he had criticized this "massive student movement" for being "obsolete," he was, after all, "not someone who would put on an exaggerated heroic pose at the entrance to hell but is actually unable to make up his mind." Selflessly he threw himself into the storm of May—and now finds himself hopelessly endangered.

Yet, as Liu Xiaobo and the other three intellectuals said in the "Hunger Strike Declaration" issued on 2 June as they began fasting, "We are not seeking death. We are looking for true life."

About the purpose of the hunger strike, they put it very clearly in the "declaration":

"Faced with the irrational, military, and violent oppression by the Li Peng government, Chinese intellectuals must stop being so spineless; for thousands of years, they have been verbal but have taken no action. They must now protest martial law with action. They must call for the birth of a new political culture with action. They must correct the mistakes resulting from their historic weakness with action. Everyone of us is partly responsible for the backwardness of the Chinese nation. Accordingly, our hunger strike is not a petition, but a protest against martial law. Hatred will only breed violence and autocracy. We must begin China's democratic construction with a democratic spirit of accommodation and cooperation..."

What the authorities cannot deny is that Liu Xiaobo took part in the latter phase of the student movement



and democracy movement out of an intellectual's concern for his country and his people and his abiding sense of responsibility to nation and society. Caught in the eye of the storm, he still manages to keep his cool, his level-headedness, and his analytical faculties. Even as he condemned government suppression, he also criticized the confusion, inefficiency, and lack of democratic procedures within the student movement. The "Hunger Strike Declaration" contained language critical of both the government and students: "Both the government and students have made mistakes." Both sides were called to "sober self-examination."

It also criticized the students. "Their end is democracy, but their means and procedures are undemocratic. Their theory is democracy, but their way of handling specific problems is undemocratic. They lack a spirit of cooperation and cancel out one another's strength. The result is incoherence in policymaking. There is chaos in financial matters and wastefulness in the use of materials. They are long on emotion and short on reason. They have a strong sense of privilege and are not sufficiently equality-minded."

We can thus see that Liu Xiaobo and others went on a hunger strike hoping that their sad and stirring deed would persuade the government to enter into a dialogue with the students and resolve differences with them. They did not fast in order to "incite riot and disturbance," as the government claims.

#### Rescuing the Most Courageous Modern Chinese Intellectual

In fact, Liu Xiaobo, Hou Dejian, and others did the government a big favor in the evening of the "4 June tragedy." Had they not thrown personal safety to the wind and come out boldly to negotiate with the military leaders and had they not time and again urged the students to evacuate the square, the casualties that evening would have been unthinkable and the government would not have been able to film the students slowly leaving the square, flashing the "V" for victory sign and singing the stirring *Internationale*, their school flags held high, as a way of fooling the people of the world. However, not only were Liu Xiaobo and others not rewarded for their service (unless the government wanted to "round up all the students" on the square), but they have been punished by the authorities as a way of frightening others and now find themselves in danger. If the government is serious when it claims that the policy of reform and openness will remain unchanged, they should spare Liu Xiaobo, who cannot even kill a chicken.

Today, the arrest of Liu Xiaobo has attracted international concern. At its first membership meeting on 2 July, the newly formed "Association of Overseas Chinese Women Writers" (whose president and vice president, respectively, are Chen Ruoxi [7115 5387 2569] and Yu Lihua [2456 2746 5478], both well-known writers) adopted a statement calling on the Chinese

Government to "treat leniently and release all intellectuals, including Liu Xiaobo." The statement said, "We believe Liu Xiaobo is a commentator who, prompted by his own conscience, earnestly wants China to make rapid strides toward democracy and the rule of law. Although his language tends to be blunt and extreme, his patriotism is open and above board."

Then there was XINWEN ZIYOU DAOBAO (whose chief editor was Cao Changqing, former deputy chief editor of SHENZHEN QINGNIAN BAO), founded by a group of Chinese journalists in the United States. A few days ago, the newspaper named Liu Xiaobo the most courageous modern intellectual. (The newspaper named a total of three "most courageous modern Chinese," the other two being Li Dan [2621 0030], the most courageous reporter, and Wang Weilin [3769 4850 2651], who tried to block 18 tanks all by himself on Changan Street, as the most courageous young Chinese.)

Liu Xiaobo completed a book on Chinese culture while visiting the University of Hawaii. He made this profound observation in the "Postscript": "Absent from the lives of Chinese intellectuals is a transcending drive, a courage to face the world of the unknown, the world of the future, a spirit of confronting the entire society, and the ability to withstand the loneliness that goes with such resistance." "I hope that I can turn my back on all my undeserved reputation of the past and start from zero, exploring on a trial basis in an unknown world... I wish I could put up with new pain. Not for anybody, but only to find my own way out of a hopeless situation. I may fail, but I believe this kind of failure is real and better than all the many phony successes I have had."

It was this kind of faith that sustained society's celebrated "rebel" as he calmly reconciled his thought with his actions in such a heroic manner. "If you want freedom, you must put yourself in danger." Nobody thought that these resounding brave words would become the best footnote of his tragic fate.

Whatever fate has in store for Liu Xiaobo, he is psychologically prepared. "If you know the ruthlessness of an autocratic regime, if you know disaster might befall you if you resist resolutely, then you cannot blame others even if your head is broken and you bleed. You cannot blame those 'onlookers.' Nor can you blame the dictator. You ask for it. If you want to go to hell, you cannot complain about darkness. Similarly, he who wants to be a rebel cannot complain that the world is unfair. Complaint will never get you anywhere." (See "At the Entrance to Hell" by Liu Xiaobo.)

May I dedicate this article to the "most courageous intellectual," who matches his words with actions.

## **CPC Takes Steps To Improve Lot of Intellectuals**

### **Bigger Role Envisioned**

900N0143A Beijing GUANGMING RIBAO in Chinese  
3 Oct 89 p 1

[Article by Zhong Zuzhi (6988 4371 4249): "The Party's Work on Intellectual Is a Remarkable Success"]

[Text] In the 40 years since the founding of the PRC, accompanying the development of economic, technological, cultural, and educational undertakings, the ranks of China's intellectuals have also shown steady growth. In 1952, there were only 200,000-plus intellectuals with college or better education, but, by the end of 1987, they have grown to nearly 7 million strong, 34 times the 1952 figure. Today, nationwide, there are more than 20 million professional and technical personnel of all kinds. There are 22 times more technical personnel in the natural science disciplines in the ownership by the people units alone than there were in 1952. We have close to 5 million senior and midlevel professionals and technicians nationwide.

Since the 3d Plenary Session of the 11th Party Central Committee, the party has rectified its "leftist" error in dealing with intellectuals. It has formulated a new strategic guiding principle, "show respect for knowledge and for the talented." It has reaffirmed the scientific judgment made in 1956, declaring that China's intellectuals are a part of the working class. It has arrived at the correct conclusion that intellectuals, like workers and peasants, are the strength on which our socialist undertakings depend. The party has thoroughly redressed and rehabilitated the unjust verdicts and wrongful convictions rendered in the past.

For the last 10 years, the party and the government at all levels have undertaken many arduous tasks in order to fulfill the party's general and specific policies toward intellectuals, and the results are remarkable:

### **Attracting Many Exemplary Intellectuals To Join the Party and Become a Part of the Leading Group**

In this new period, the party has advanced the new guiding principle of revolutionizing and rejuvenating the ranks of cadres and making them more intellectual and professional, and has made a special effort to recruit exemplary intellectuals. This fully reflects the party's concern and love for intellectuals and its desire to nurture intellectuals and put them in important positions. In the 9 years from 1979 through 1988, nationwide more than 2 million distinguished intellectuals have joined the party. The "leftist" influence which once made it impossible for intellectuals to join the party has been eliminated. By the end of 1987, more than a million professional and technical personnel nationwide had taken up leadership posts at all levels in the party and the government. With so many professional and technical personnel who have both ability and integrity taking up leadership posts, the leading group is no longer made up

of aged and uneducated members. The "four modernizations" of the leading group is gradually being accomplished.

### **Let the Intellectuals Play a Bigger Role in the Reform**

In the wake of continuous thorough reform, the party has made several decisions regarding reform of the economic, science and technology, and education systems. In order to let the intellectuals play a bigger role in the reform and opening up, the party has promulgated a series of important general and specific policies, with remarkable results: The party has restored and reformed the system of evaluation of professional and technical titles and has promulgated the PRC's "Regulations on Encouraging and Rewarding Innovations," "Regulations on Encouraging and Rewarding Natural Science Studies," and "Regulations on Encouraging and Rewarding Scientific and Technological Advancements." By the end of 1987, more than 1.3 million of China's scientists and technicians had received state, provincial, and departmental awards for their achievements in nearly 3 million projects. Scientists and technicians who do technical and consulting work in their spare time are also doing very well. To date, close to 1.4 million professional and technical personnel nationwide hold concurrent jobs, putting all potential to use. Although keeping a proper flow of qualified personnel was difficult at first, helped by a series of new policies, the situation has greatly improved. In the last 10 years, China has sent more than 70,000 selected personnel abroad for advanced studies. Reform and opening up have given the intellectuals ample scope for their abilities as well as lively prospects. "Civilian-run science and technology industries" (including collectively, individually, and privately run industries,) noninterference in circulation of intellectuals, and paid spare-time services and other practices are widespread. Statistics show that China has 3.56 million intellectuals in the science and technology and higher education fronts working on the country's many scientific research projects, 350,000 of whom are employed in the state's key "Seventh 5-year Plan" projects, the "863" advanced science and technology projects, and natural science foundation projects. They are making significant contributions to China's economic development and thorough reform.

### **Improving the Intellectual's Work Environment and Living Conditions**

In the last 10 years, the party and the government have worked hard on improving the intellectuals' pay and living conditions. They have formulated new regulations, including those that reduce the need to hold concurrent jobs, that supply the experts with assistants, provide them with official cars, extend higher wages and subsidies, bonuses, medicare, and housing, end the separation of husband and wife because of job assignments, and provide vacation time, leave, and retirement benefits. The state has made every effort to put those provisions into effect, and, as a result, work and living conditions for the masses of intellectuals have, to various

degrees, improved. Statistics compiled by various local organizations and departments show that in 1987, 360,000 intellectuals were receiving first-line agricultural subsidies; 1.8 million intellectuals were receiving border and remote district subsidies; 590,000 separated intellectual couples were reunited; 820,000 intellectuals whose families wanted to switch from agricultural to nonagricultural work received help; more than 40,000 specialists were assigned official cars; more than 2.8 million people took various continuing education and refresher courses; more than 290,000 specialists received out-patient medical care; and more than 20,000 specialists received hospital care.

#### **Reform the System of Management of Qualified Personnel; Overcome Egalitarianism**

In recent years, in order to adapt to the development of the socialist planned commodity economy, we have complied with the party's and the government's general and specific policies and have brought competition to the management of qualified personnel. We have given priority to improving the pay and living conditions of those mature and young scientists, technicians, and managers who have made outstanding contributions.

In 1984, the Central Committee's Organization Department followed the Party Central Committee's instruction and met with various departments and committees to discuss and formulate a series of policies and regulations regarding the wages, ranks, housing, and medicare of those mature and young specialists who have made outstanding contributions. From 1984 to 1987, more than 1,300 outstanding mature and young scientists, technicians, and management specialists have been selected for special consideration in accordance with those regulations. In the last couple of years, there have been nationwide efforts to get hold of more distinguished experts and first-rate talents and put them under proper administration. Preliminary data indicate that at present the propaganda departments of party committees at all levels in most provinces, autonomous prefectures, and municipalities as well as the cadre personnel departments of some departments and commissions under the Central Committee are in control of and managing more than 35,000 distinguished experts and first-rate talents. In accordance with dynamic management principles, these specialists and talented people's wages have been linked to their contributions. Their work and living conditions have improved greatly, and they are given the key role in the four modernizations. From the very beginning, this undertaking has shown great vitality; it has smashed the egalitarian system of sharing the "same big pot" and has brought competition to the personnel management system. It has brought out the enthusiasm and creativity of the masses of intellectuals and has encouraged many fine talents to come forward. It has created a general mood in society where people "respect knowledge and the talented."

After a decade of reform and opening up, the party's work on intellectuals has produced some outstanding

results, but some problems remain. In their further effort to implement the policy toward the intellectuals, the party and the government will try to solve those problems step by step.

#### **Efforts To Reunite Couples**

90ON0143B Beijing GUANGMING RIBAO in Chinese  
6 Oct 89 p 1

[Article by reporter Bai Jianguo (4101 1696 0948): China Succeeds in Resolving the Issue of Couples Separated by Job Assignments—the Problem of Intellectual Couples' Separation Given Top Priority“]

[Text] In a decade of reform, personnel departments at all levels have given top priority to resolving the problem of separation of intellectual couples. Statistics show that in the last 10 years, 640,000 intellectual couples once separated by job assignments have been reunited.

Comrades in the personnel departments explained that, although much has been done to resolve the problem of separation of married intellectuals by job assignments, because of their huge number, because it is a complicated issue, and because there are many constraints, many problems remain. Statistics show that, in the last 10 years, an average of 60,000 cases of separation of intellectuals are resolved each year, but at the same time, tens of thousands of couples are newly separated by job assignments, a substantial portion of whom are cadres transferred under state plans and college and polytechnic school graduates assigned to jobs in recent years. Thus, relevant departments of the state government have reiterated the importance of transferring couples together and trying as much as possible to keep husband and wife together to avoid creating new problems of separated couples. The same principle applies when assigning college and polytechnic graduates to minimize couple separations.

This reporter has learned that in recent days relevant departments in the Ministry of Personnel have made several requests in a further effort to settle the separation problem. The requests include that those married couples separated by job assignments who are among the professional and technical personnel who have received state-level awards and who have made outstanding contributions should be given top priority and should not be subject to the special separation quota, and their cases should be dealt with immediately; that professional and technical personnel who have received ministry- and provincial-level awards should have priority in the special quota of households of married couples living apart; that midlevel and higher professional and technical cadres working on specialized technical jobs hired after the implementation of the hiring system who are separated from their spouses should have preference within the scope of the special quota of households of married couples living apart. In addition, the Ministry of Personnel has also formulated specific regulations regarding the collection of city entrance fees from personnel who are separated from their spouses: If the transfer has been

approved by the organization or personnel department in an effort to reunite married cadres separated from their spouses, all fees, including compensation for comprehensive urban spendings, are exempt.

### Juvenile Delinquency Rising

90ON0150A Beijing RENMIN GONGAN BAO in Chinese 13 Oct 89 p 3

[Article by Guo Xiang (6753 5046), vice president of the China Juvenile Delinquency Research Society, and associate professor, China Political Science and Law University: "Present Situation in and Characteristics of Juvenile Delinquency in China"]

[Text] Since the latter half of the seventies, China has been troubled by juvenile delinquency. In 1988, juvenile delinquency, no matter whether in the proportion of crimes in society or in the absolute number of persons in society, actually exceeded that of the highest year, 1981, the peak period of juvenile delinquency after the 10 years of internal turmoil. Juvenile delinquency, like any other objective thing, is not isolated and static, but is constantly developing and changing. In summary, there are the following main aspects in the situation and characteristics of juvenile delinquency in China today.

1. The proportion of juvenile delinquency in the crimes of society is still excessively high. According to statistics for the whole of China, the proportion in 1983 was 60.2 percent, in 1984 was 63.3 percent, in 1985 was 71.42 percent, in 1986 was 72.4 percent, in 1987 was 74.3 percent, and in 1988 was 75.6 percent, showing a trend to increase year by year. In 1988, of the criminals sentenced by courts at all levels in China, teenagers accounted for 58.55 percent, an 18.21-percent increase over the figure for 1987. In the fifties and the first half of the sixties, in China the proportion of juvenile delinquency in the total number of crimes was only 20 to 30 percent; for a short time in individual cities it rose to 50 percent, but then very quickly dropped. The juvenile delinquency rate was about one in ten thousand. Also, the types of crime were fairly simple and the nature of the crimes was not serious, most being cases of pilfering and indecent behavior. In brief, at that time juvenile delinquency was not a prominent social problem. Because the 10 years of internal turmoil during the Great Cultural Revolution greatly damaged society and the environment and conditions for the healthy maturation of teenagers on a comprehensive scale, beginning in the mid-seventies there was a big rise in juvenile delinquency in China and an unprecedentedly high peak period in juvenile delinquency. In August 1979, the party Central Committee issued a document calling the attention of the entire party to the importance of solving the problem of juvenile delinquency. After the struggle for a "strict crackdown," which was launched in 1983, and after various comprehensive control measures were taken, this peak period of juvenile delinquency in China was checked and the problem of juvenile delinquency that was a "sequelae" to the 10 years of internal turmoil

was basically solved. But as society developed, crime changed. Following the thoroughgoing reform, opening to the outside world, and development of the socialist commodity economy, there has been an enormous positive effect but, unavoidably, also a negative effect. Over the past several years the rising trend of juvenile delinquency in essence has been a manifestation of this negative effect. Many countries in the world have gone through a process of social turbulence, social reform, and social vicissitudes, and in all of them there has been a tendency for juvenile delinquency to increase. Compared with that of China, the juvenile delinquency rate of some countries is several dozen times and even a hundred times higher (because crime statistics vary, this is a relative comparison). However, juvenile delinquency accounts for more than 70 percent of the crimes in China's society and, in countries of the world, the number that have this percentage is small, which shows that the depth and the acuteness of China's reform and change are extremely prominent.

2. The tendency for the ages to become lower is still developing. The main manifestations of this are that the proportion of juvenile delinquents under 18 years old is increasing and the age highly prone to juvenile delinquency is moving back; that delinquency by juveniles and children without criminal responsibility (these are not crimes in the meaning of criminal law, but they are crimes in the meaning of criminology) is constantly increasing; and that serious cases of juvenile delinquency are increasing. In 1985 the relevant central department brought up the problem of the ages of delinquents becoming lower, the cases of delinquency becoming more serious, and the kinds of crimes committed by juveniles becoming more adult. Practice proves that over the past several years this situation has become increasingly marked and that it is still tending to develop. According to an analysis of nationwide data, among juveniles who have been tracked down by public security organs and booked for committing crimes, the proportion of minors under 18 in 1982 was 29.8 percent, in 1983 was 26 percent, in 1984 was 32.3 percent, in 1985 was 33.4 percent, in 1986 was 30.8 percent, and in 1987 was 36.2 percent; except for the difference in the individual years, there appeared a trend of a yearly increase, year by year. Among the juvenile delinquents, the serious violent crimes of murder, robbery, arson, using explosives, and rape are common occurrences. In some places one even finds that 11- or 12-year-old children commit murder, rape, robbery, and other acts that seriously harm society, and that some 9-year-old children are already hardened thieves. According to a survey by a relevant department in Jiangxi Province, the age of juvenile delinquents in 1987 was, on average, 0.656 year less than it was in 1985. According to an analysis of 100 cases of juvenile delinquents tracked down in a certain city of Jilin Province in 1987, calculated according to their years of responsibility fixed by law, crimes by children less than 14 years old accounted for 29 percent. In the fifties in this city, there were no crimes committed by children of this age, and in the seventies such crimes

accounted for less than 5 percent. In this regard some people say that juvenile delinquency not only is developing at a lower age, but also is developing at an ultra-low age.

3. The types of juvenile delinquency are concentrated mainly in property crimes. They include larceny, swindling, robbery, profiteering, making and peddling obscene articles, and, with the goal of seeking profit, luring or forcing women into earning livings as prostitutes or harboring prostitutes, which account for a little over 75 percent of juvenile delinquency. Next are sex crimes and violent crimes. Over the past several years in China as a whole, of the persons standing trial for the three types of serious crime—robbery, rape, and murder—teenagers accounted for over 40 percent. In addition, teenagers also committed blackmail- and terrorizing-type crimes, trickster-type crimes, and they stole cars, boats, and rental cars, robbed safes, and robbed banks. Juvenile delinquents frequently commit not just one type of crime; usually they commit many types of crimes that overlap, superimpose, and change, but the crimes revolve mainly in an orbit of “money, sex, and power.”

4. Gang crime is still the main form of juvenile delinquency. During the struggle for a “strict crackdown,” a number of gangs of hoodlums of different sizes were tracked down and destroyed throughout country, thereby strongly promoting a change for the better in public order. But, over the past several years, juvenile gang delinquency has become prominent. According to a survey, 60 to 70 percent were gang crimes, showing that a new batch of juvenile delinquent gangs has already emerged. Among them, some commit ordinary gang-type crimes, but many tend to develop into criminal organizations. The criminal gangs not only have names and leaders, but also have discipline, and when they commit crimes they have a plan and a division of work. Gang members are becoming younger and younger, and some gangs are purely gangs of juvenile delinquents.

5. Crimes by elementary and middle school dropouts are constantly increasing, and their proportion in juvenile delinquency is fairly high. In line with China’s “Compulsory Education Law,” which went into effect in July 1986, all children of school age must attend school and receive 9 years of education under the compulsory system. However, for many social reasons, some teenagers and children do not want to attend school and receive the compulsory education. Some elementary and middle school students leave school halfway through, discontinue studies, and play truant; and a small number are expelled from school. These teenagers and children, who have not completed the normal process of socialization, easily become tainted with bad habits and even fall into law breaking and crime after wandering about in society for a time. According to surveys in some places, the crime rate of elementary and middle school dropouts is several dozen times higher than the crime rate of students in school. The crimes of elementary and middle school dropouts tracked down in Beijing Municipality in

the early eighties account for about a third of juvenile delinquency, but over the past several years this figure has reached about two-thirds. In many places, more than 50 percent of the juvenile delinquents are elementary and middle school dropouts. This is an important trend in China’s juvenile delinquency at the present time. It is worrisome that the number of elementary and middle school dropouts in China continues to increase. According to data made public by relevant departments, in 1988 there were 4.28 million elementary school dropouts in China, a dropout rate of 3.3 percent; and there were 2.87 million junior middle school dropouts, a dropout rate of 6.6 percent. According to a survey in Nanchang City, in the years 1987-88 the number of elementary and middle school dropouts exceeded 25,000. These drifting ranks of teenagers have become a steadily flowing “reserve force” for juvenile delinquency.

6. Female juvenile delinquency is growing day by day. Its proportion in total juvenile delinquency is already over 10 percent. In the fifties and sixties the proportion of female crimes in the total was 1-3 percent, in the seventies it was 5-7 percent, in the early eighties it rose to 9-10 percent, and over the past several years it has reached about 12 percent. According to a survey in a certain province, from 1975 to 1986 female juvenile delinquency increased by 6 times while in the same period male juvenile delinquency increased by 2 times. At present the types of female juvenile delinquency are concentrated mainly in such delinquency as earning a living as a prostitute (this is illegal; luring or forcing females into prostitution or harboring prostitutes are crimes; from the angle of criminology, earning a living as a prostitute is often made an object of research, but it also easily induces other crimes), working in houses of prostitution, and behaving promiscuously; and property crimes, such as swindling and stealing; and violent crimes caused by the circumstances of adultery. Among these activities, earning a living as a prostitute has, in particular, spread like a pestilence over the past several years, causing serious dissatisfaction in all circles of society. If we say that in the old society most prostitutes were forced by the circumstances of their life into this living hell, then the great majority of females who now earn a living as a prostitute, except for a small number who were deceived or forced into prostitution, voluntarily earn a living in this way to “get rich” and “behave promiscuously.” In some places female teenagers who earn a living as a prostitute become “10,000 yuan households.” In addition, an important characteristic of prostitution in China is that it is gradually developing from being secret to being open or semi-open, and developing from being spontaneous and simple to being organized. Generally speaking, the corruption of female crimes is often more serious than the corruption of male crimes. It is no wonder that some foreign scholars have pointed out that, to a certain degree, the female crime rate, particularly that of underage girls, is an indication of the level of morality in society as a whole.

7. The repeat crime rate is rising. Repeat crime usually means committing a crime, being punished, and, after returning to society, repeating the same crime. The repeat crime rate and the recidivism rate have their points of similarities and their points of difference. The former's extension is a little wider. The level of the repeat crime rate reflects the effectiveness of the criminal judicial system, and also reflects the situation with respect to social factors inducing crime and society's capability to control crime. In the first 10 years after the founding of New China, our country's repeat crime rate was extremely low, generally less than 5 percent; by the early eighties this rate was generally within 10 percent, but among the criminal teenagers there had already appeared some figures who "were about to enter the palace." In recent years there has been a constant increase in repeat crime, and, in some places, surveys show that the rate is as high as over 15 percent. In some Western countries the juvenile repeat crime rate is as high as 30 to 50 percent, and even over 60 percent, becoming a big headache for government officials and social circles. Although at present China's juvenile repeat crime rate is much lower than that of Western countries, we certainly cannot lower our guard and become careless. According to surveys, a prominent characteristic of juvenile repeat crime is that often the new crime is much more serious than the original crime. Currently, most of the major cases, important cases, and vicious cases are committed by repeat criminals. In particular, some juvenile habitual criminals, recidivists, abettors, and gang leaders do not realize the error of their ways and repent; they refuse to change, are discontented in society, are cruel and evil, and have accumulated

experiences in committing crimes and avoiding punishment. They are dangerous elements who pose a very big threat to public order, and, thus, guarding against them and controlling the repeat crime rate is an important task.

In brief, today in China juvenile delinquency is still a serious social problem.

#### **Beijing Film, TV Association Founded**

OW2211142089 *Beijing XINHUA in English*  
0934 GMT 22 Nov 89

[Text] Beijing, November 22 (XINHUA)—The Beijing Film and Television Artists' Association was recently founded.

Initiated by a dozen film and television artists, the association has been certified as a corporation and is aiming to create works in praise of the glorious history of the party and the people, socialist modernization, and encourage the national spirit, according to today's BEIJING DAILY.

The association will promote artistic exchanges with other countries, hold symposiums, set up magazines, art schools and various welfare facilities for the good of film and television, and establish a fund to promote excellent works.

*Chinese Policemen*, a 60-part TV series, is the association's first project. The program's production team was set up recently in Beijing.

## EAST REGION

**Jiangxi Students Study Marxism  
'Enthusiastically'***OW2611132789 Beijing XINHUA in English  
1315 GMT 26 Nov 89*

[Text] Beijing, November 26 (XINHUA)—Enthusiastic studies of Marxism-Leninism have become a common scene on the campus of the Jiangxi University in central China's Jiangxi Province since the end of the April-June riot, GUANGMING DAILY reported today.

The Beijing-based newspaper said that some 800 students at the university have spontaneously set up over 60 Marxism-Leninism study groups this semester.

According to the newspaper, the major works of Marx, Engels, Lenin and Mao Zedong in the university library have all been borrowed by the students.

The paper quoted one student as saying that during the April-June riot, he knew many of the arguments were wrong but he felt it difficult to produce a correct explanation.

Only by studying Marxism-Leninism could he distinguish right from wrong, he said.

According to the paper, 47 students at the university have applied for membership of the Communist Party since the beginning of the fall semester.

**Shandong CPPCC Studies Spirit of 5th Plenary Session***SK2211051389 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 21 Nov 89*

[Text] The eighth meeting of the Standing Committee of the Shandong Provincial Chinese People's Political Consultative Conference [CPPCC] Committee opened at the Nanjiao Guesthouse of Jinan City on the morning of 21 November.

Li Zichao, chairman of the provincial CPPCC Committee, presided over and addressed the meeting. In his speech he stated that the 5th Plenary Session of the 13th CPC Central Committee, which was convened not long ago, is another most important meeting after the 4th Plenary Session. The most important and urgent task at present is to earnestly study the documents adopted at the 5th Plenary Session, to deeply master the essence of the session's spirit, and to use the spirit to realistically unify thinking and understanding. Only by uniting the thinking of all CPPCC members and personages in various social circles with the spirit of the 5th Plenary Session can we more closely rally ourselves round the CPC Central Committee whose core is Comrade Jiang Zemin and be fully confident and make concerted efforts to overcome the temporary economic difficulty and to realize the goal and tasks of further improving the

economic environment, rectifying the economic order, and deepening the reform drive.

In his speech, he urged all participating comrades to concentrate their efforts on studying well the documents adopted at the 5th Plenary Session and, after totally mastering the session's spirit and by proceeding from the reality of the CPPCC work, putting forward their opinions and suggestions on how to deeply study and implement the spirit of the 5th Plenary Session.

During the meeting, Lu Maozeng, member of the CPC Central Committee and vice chairman of the provincial CPPCC Committee, delivered a report on relaying the major situation and guidelines of the 5th Plenary Session.

Xu Wenyuan, vice chairman of the provincial CPPCC Committee, presided over the meeting on the afternoon that day, at which, Ding Fangming and Jin Baozhen, vice chairmen of the provincial CPPCC Committee, read the documents adopted at the 5th Plenary Session.

Attending the meeting were vice chairmen of the provincial CPPCC Committee, who are currently in Jinan City; and among those who were invited to the meeting were members of the Seventh National CPPCC Committee, who are currently in Jinan City, and vice chairmen of the former provincial CPPCC Committee.

**Shanghai To Host Confucianism Forum***OW0212220289 Beijing XINHUA in English  
1517 GMT 2 Dec 89*

[Text] Shanghai, December 2 (XINHUA)—Shanghai's Fudan University is to hold an international forum on Confucian thought from December 18 to 21 to commemorate the 2,540th anniversary of the birth of China's most famous sage, Confucius.

Called "Confucian Thought and the Future", the forum will be attended by researchers and scholars from the United States, Federal Germany, Hong Kong, the Chinese mainland and Taiwan Province.

About 40 papers are to be read at the forum.

**Wenzhou City Initiates 'Smut Cleanup' Campaign***90ON0155A Beijing GUANGMING RIBAO in Chinese  
25 Oct 89 p 2*

[Article by GUANGMING RIBAO correspondent Ye Hui (0673 6540) and ZHONGGUO QINGNIAN BAO correspondent Huang Ping (7806 1627): "Report From Wenzhou on Smut Cleanup"]

[Text] In mid-September at a "smut" cleanup conference attended by four coastal provinces that was convened at Wenzhou, CPC Central Committee Politburo Standing Committee member Li Ruihuan [2621 3843 3883] noted the need for a determined seizure of illegal bastions containing large amounts of Chinese-made and smuggled obscene videos, books, and periodicals.



One of the four cities he cited as being awash in smut was Wenzhou in Zhejiang Province.

When an order is issued, it must be carried out. The Zhejiang Provincial CPC Committee and provincial government quickly sent a "smut cleanup" work team to Wenzhou, with provincial high court chief justice Yuan Fanglie [5913 2455 3525] as the team leader.

The Wenzhou Municipal CPC Committee and municipal government deployed forces to set up a "smut cleanup" office. "Smut cleanup" focused very quickly on three key areas, namely Jinxiang and Beibaixiang Towns, and the Lucheng District of Wenzhou.

### 1. Unbridled Tide of Smut

Beibaixiang Town, which is readily accessible by water and land, is frequented by businessmen. Beginning in March 1989, this town became a beehive of activity for the sale of obscene books and periodicals, playing cards showing naked women, and even the making of pornographic videotapes. It became known far and wide as a "smut source."

Equally as well known as Beibaixiang was Jinxiang Town in Cangnan County.

On 29 February 1989, 21-year-old Xia Baoguo [1115 1405 0948] of Jinxiang Town suddenly had the idea to start selling pornographic videotapes. He was quite aware that this was a good way to make money, so he got together with several companions, and under cover of the "China Arts Company Audio and Video Service Department," they mailed out 12,000 order forms for imported videotapes. The blizzard of orders quickly translated into 80,000 yuan renminbi, providing them a profit of more than 17,000 yuan. Seeing there was money to be made, many people followed suit, and within the short space of several months, more than 1 million order forms were sent from this small town, bringing in 670,000 yuan. Soon, post and telecommunications bureau and bank staff members and workers, cadres in charge of culture, and retired teachers joined the activity, "making smut" and "selling smut." A "tide of smut" billowed forth from this small town, spreading to the provincial capital and throughout the country.

Chen Ailian [7115 1947 1132] greatly longed to become rich. When she found out in March 1989 that one could become very rich from "selling smut" tapes, her eyes glowed with greed. She and her husband imported six video cassette recorders, and borrowed another four on which they ran all sorts of filthy films day and night. They made copies on poor-quality, blank, magnetic tapes costing 5 yuan per cassette, selling them for 18 yuan. To everyone's surprise, the illiterate Chen Ailian became famous in Beibaixiang Town. The "tide of smut" sucked hundreds of people into its vortex.

Wang Shaozhan [3769 48012 1455] from Beibaixiang Town earned 15,000 yuan in 6 months from copying pornographic tapes.

With the help of her mute husband, the lame Fang Xiuyue [2455 4423 1471] learned how to copy tapes even though she could not read a single word.

Most recent statistics from the Wenzhou municipal "smut cleanup" office show 77 individual households and businesses as having engaged in the illegal sale of videotapes. Ninety people have been identified. Another more than 100 people in Beibaixiang Town sold pornographic tapes. In Lucheng District, a group of people used walkie-talkies in individual contacts to carry out illegal pornographic tape-selling activities.

Obscene books and magazines, playing cards, and videotapes spread everywhere in the country through various channels, poisoning millions of people.

### 2. The Harm Done by the "Tide of Smut"

The harm done to local society by the unchecked spread of the "tide of smut" is shocking. Crimes committed by young people in Beibaixiang Town rose sharply; the young people's crime rate soared from 68 percent in 1985 to more than 80 percent in 1989. As a school principal in Jinxiang Town said: "We have less influence on students after half a year of laborious teaching than their seeing half a pornographic tape."

Once the "filthy merchandise" went into circulation, it became a great scourge in ordinary economic intercourse. Some individual households and township and town enterprises employed pornographic tapes as bribes to open more and more doors. Those who placed orders would be secretly sent "smutty tapes," and "smutty tapes" were sent as gifts for the supply and marketing of goods elsewhere. One supply and marketing person from Beibaixiang was found in possession of "smutty tapes" when he went to Shanxi Province on a coal deal.

The "smut scourge" interfered with ordinary social order. During the first half of the year alone, more than 300 prostitutes were arrested in the Lucheng District of Wenzhou. Beibaixiang Town also experienced numerous divorces, hooligan fights, and unwed pregnancies.

What was the source of the "smut tide" in Wenzhou? Wang Qibei [3769 0366 0271], the deputy director in charge of the Wenzhou Municipal Government "smut cleanup" office told the reporter there were three "smut sources:" 1) pornographic books and periodicals that Chinese publishing houses formally published for the purpose of making a profit; 2) playing cards showing naked women from Lufeng, Lianjiang, and Shishi, and pornographic videotapes from Hong Kong and Taiwan that were resold for a profit; and 3) smuggled pornography.

### 3. The Majesty of the Law

At the largest-ever public trial that Cangnan County Court convened in Jinxiang Town, four criminals, including Xia Baoguo, were sentenced, Xia Baoguo being sentenced to life imprisonment.

On 10 October, Leqing County Court convened a public trial in Beibaixiang Town, which Yuan Fanglie, the team leader of the Zhejiang Provincial "smut cleanup" work team and provincial high court chief justice personally attended. This trial sentenced 14 criminals according to law, Chen Ailian among them.

The authority of the law was upheld, 721 lawless elements throughout the city were arrested. A large number of offenders came forward to turn themselves in.

Zhejiang Province's smut cleanup work was done vigorously, speedily, and thoroughly. The provincial government convened several telephone conferences to plan smut cleanup work. In early and late September, the provincial government twice sent inspection teams and work teams to Wenzhou to help in this work. Wenzhou City, and counties under its jurisdiction, set up a smut cleanup office and attendant organizations. Acting on instruction from the provincial CPC Committee on the need for "CPC Committees to take unified action, and the whole party to devote attention" to the smut cleanup, concerted efforts were made to carry out the work from top to bottom. Provincial CPC Committee secretary Li Zemin [2621 3419 3046] personally visited Wenzhou in mid-October to inspect the smut cleanup work.

The victory achieved in the Wenzhou City smut cleanup was remarkable. By the end of September, more than 8,900 specifically proscribed books and periodicals, more than 45,000 published materials, more than 32,600 illegally copied video cassettes, and 2,924 lewd tape cassettes were collected.

On 10 October, the Zhejiang Provincial High Court, Procuratorate Court, and Department of Public Security issued a joint announcement commanding criminal elements who had violated the law by making, distributing, or selling pornographic materials to register and voluntarily turn themselves in by 30 November. In Jinxiang Town alone, more than 60 individual households came forward to turn themselves in. Fifty-two registered household enterprises filed written reports about engaging in illegal business activities, and 29 people returned a total of 100,000 yuan in proceeds from the sale of videotapes.

#### 4. Late Repentance

On 7 October, some young people in Zhejiang Province used a local newspaper to issue a call to society. They said that lewd books and publications had injured them physically and mentally. They deeply regretted having made a wrong step, and called upon society to ban obscene poisons.

Chen Jiahang [7115 0502 2635] and Zhang Guohua [4545 0948 5478] of Jinxiang Town recently issued a letter of repentance to the whole country in which they expressed regret for having peddled "filthy merchandise."

#### Repentance That Came Too Late

Why is it that the "smut scourge" that hurts so many people and about which there is no end of regret, does not stop despite repeated prohibitions?

Marx said that capitalists will take grave risks in order to make 100-percent profit, and to make 300-percent profit, they may mount a guillotine. Some people in Wenzhou said that they would dare to run a business that cut off heads rather than run a losing business. Once the crazed money beast breaks the shackles of morality and reason, it can fill people with mad desires. The profit from "selling smut" far exceeds 300 percent. A blank magnetic tape cassette that sells for a little more than 5 yuan can be sold for a maximum of more than 100 yuan after pornography is copied to it. Such exorbitant profits are the main reason why some people in Wenzhou risked "selling smut."

Comrades in the Wenzhou City smut cleanup office believe that 10 years of reform made the people of Wenzhou generally prosperous, and that people began to seek knowledge, seek new things, seek beautiful things, and pursue spiritual enjoyment, but rural mass culture was unable to keep pace with these desires. In addition, obscene things took advantage of the rampant bourgeois liberalization of recent years to intrude, becoming a goal that the spiritually starved pursued. Moreover, the low level of culture, the flimsy concept of the legal system, and the not well-defined legal penalties in the smut cleanup existing in rural villages are reasons for the difficulties in cleaning up smut.

Comrades in the provincial work team will coordinate with Wenzhou City in a thorough investigation and disposition of cases, cleaning out corners that remain untouched. Work during the following stage will shift to the drawing up of rules and regulations.

The "smut tide" has ebbed; however, the job of cleaning up smut will continue for a long time to come.

### NORTHEAST REGION

#### Heilongjiang Mandates Closer Government-CPPCC Cooperation

900N0166A Harbin HEILONGJIANG RIBAO in Chinese 4 Oct 89 p 1

[Article by Jiang Demin (1203 1795 3046): "Provincial Government Formulates Method of Daily Work Liaison With Provincial People's Political Consultative Conference"]

[Text] In order to more effectively bring into play the "political consultation and democratic oversight" functions of the Chinese People's Political Consultative Conference [CPPCC], the provincial government recently formulated the "Tentative Method for Strengthening Routine Work Liaisons Between the Provincial Government and the Provincial CPPCC."

This method stipulates that the provincial government must consult with the provincial CPPCC and hear the views of the committee members regarding important issues of universal concern. The situation regarding certain important issues must be reported to the CPPCC in a timely manner. The suggestions, criticisms, and opinions offered by the CPPCC delegates must be earnestly studied and processed, and they must be responded to in a timely manner. Before delivering the Government Work Report to the People's Congress, the government must first consult with and hear the opinions of the full Provincial CPPCC or its Standing Committee. The various organs of the provincial government must actively support and assist the provincial CPPCC's investigations on special topics, discussions, feasibility studies, and consulting services. The government and the PPCC can carry out joint studies of some important issues. Consultation on the formulation and enforcement of important local laws must be strengthened. Links between important conferences must be strengthened. When the provincial government convenes a plenary meeting, a Standing Committee meeting, or a provincial governor's business meeting, it must invite the CPPCC leaders or the chairmen of relevant committees to attend. This method demands that the proposals and suggestions of the provincial CPPCC be handled earnestly, and that inspections by CPPCC delegates be facilitated. The opinions, suggestions, and criticisms proceeding from inspections must be studied and handled earnestly, and important issues that impinge upon the overall situation must be forwarded to the provincial government for instructions and comment. The relevant departments must earnestly investigate and handle the problems reported by the CPPCC delegates, and the results of their handling of the problems must be reported in a timely manner to the provincial CPPCC and the delegates. This method also stipulates that, in order to perfect the liaison system, the provincial government's vice governor, general secretary, and director of the General Office must be responsible for maintaining frequent liaison with the provincial CPPCC's Standing Committee deputy chairman, secretary general, and director of the General Office. Every administrative department must maintain liaison with its counterpart.

#### **Editorial Urges Enforcement of Individual Accountability**

90ON0166B HEILONGJIANG RIBAO in Chinese  
4 Oct 89 p 1

[Article by Wang Chunfang (3769 2504 5364): "The Law Ought To Accuse Groups"]

[Text] A certain unit, in awarding a contract for a construction project, took advantage of the situation by accepting kickbacks, which it distributed as "bonuses." When the case came to light and justice organs attempted to bring the leader of this unit to justice, this leader surprisingly pushed responsibility onto the "organization," saying that "it was a collective decision" and

that his "was just one vote." In this manner, a case of illegal activity became an "internal conflict." Each person performed a bit of self-criticism, the leadership threw together a report, and that was it.

The main reason why some people are so enthusiastic about "collective decisionmaking" is that "the law does not accuse groups." With some cases, as soon as everyone accepts common responsibility, it seems that "big problems are made small, and small ones disappear." Naturally, the person who actually performed the act is treated leniently. "The law does not accuse groups" is a sort of "dilution agent" for corruption that some people employ. Some corrupt elements evade legal sanction under cover of precisely the principle that "the law does not accuse groups."

This principle is an obstacle to eliminating corruption. It not only has provided cover for those who break the law and destroy discipline, but has also damaged the reputation of the organization and corrupted the party. In punishing corruption, we must resolutely remedy this situation. In order to eliminate this obstacle, we must take the law as the standard. When the law is violated, the case must be pursued. The law must be strictly upheld. If the law has been broken, the matter must be dealt with according to the law, no matter whether the decision was individual or collective. The person who actually performed the act must be investigated, and the leaders involved must be prosecuted. We should spring a "law also accuses groups" on them. In this way, the shield known as "the law does not accuse groups" will be useless in stopping the sharp arrow of law and discipline.

#### **CPC Committee Studies Jiang Zemin's 40th Anniversary Speech**

90ON0166C Harbin HEILONGJIANG RIBAO in Chinese  
5 Oct 89 p 1

[Article by Yang Fengjun (2799 7685 0689): "Sum Up Experience, Unify Understanding, Build Up Heilongjiang Even Better; Provincial Communist Party Committee Convenes Expanded Standing Committee Meeting, Earnestly Studies Comrade Jiang Zemin's National Day Speech"]

[Text] This morning, the Chinese Communist Party's Heilongjiang Provincial Communist Party Committee convened an enlarged session of its Standing Committee to earnestly study and discuss General Secretary Jiang Zemin's speech at the conference to celebrate the 40th anniversary of the founding of the People's Republic of China. The comrades who participated summed up the experience of Heilongjiang and spoke out enthusiastically. They all felt that Comrade Jiang Zemin's speech upheld Marxism-Leninism and Mao Zedong Thought; was in line with the spirit of the 4th Plenary Session of the 13th Central Committee and the important speech recently given by Comrade Deng Xiaoping; summed up in a scientific manner our experience since the founding of New China, and especially since the 3d Plenary

Session of the 11th Central Committee; and is a document that contains the program for leadership of the entire party. We must, by all means, study it earnestly and implement it thoroughly. We must continually advance the development of socialism in Heilongjiang.

The meeting emphasized that we must first broadly organize party members, cadres, and the masses throughout the province and have them deeply study the speech by Comrade Jiang Zemin and deeply grasp the essence of its spirit. This is the key to raising the level of thought and understanding and to doing a good job with the various tasks confronting us during the coming period. The comrades who spoke stated that Comrade Jiang Zemin's speech could be called the Central Committee's new leadership collective's program for governing the nation. They said it was a contribution to Marxist-Leninist literature which combined theory and practice. They said it was an ideological weapon that could be used to unify the understanding of the entire party and all the people, and that it was the crystallization of the wisdom of the entire party and the people of the whole nation. The speech scientifically summed up the lessons of the last 40 years, particularly of the period since the 3d Plenary Session of the 11th Central Committee and this year's unrest and counterrevolutionary rebellion. It incisively summarized the four basic conclusions arrived at through the test of experience, and expounded upon the fact that, in the work of the party and the entire nation, we must pay particular attention to the ten important points connected with unifying understanding. Even more, it had deep practical significance and far-reaching historical significance. Therefore, if we study this speech well we can unify understanding, unify actions, bolster our spirits, work together with one heart, and complete the historical mission which the times have bestowed upon us.

The comrades who participated in the meeting paid special attention to study and discussion of the four basic conclusions arrived at in reviewing the last 40 years of history, which Jiang Zemin elaborated upon in his speech. It was their unanimous opinion that only through socialism can we save China; only through socialism can we develop China, vigorously develop productive forces, uphold the general program and general policy of reform and opening up; only through socialism can we build up patriotism and uphold the program which calls for independence, autonomy, and self-reliance; and the Chinese Communist Party is the leadership core of the Chinese revolution and reconstruction, which is the correct choice that the people have made through a long period of actual practice. These conclusions are extremely important to our understanding of the past, comprehension of the present, and contemplation of the future, as well as in strengthening our confidence in the inevitability of the victory of socialism. The comrades at the meeting related their discussions to practical matters. They discussed the issue of how Heilongjiang is to resolutely take economic development as its central focus, and how we shall

vigorously develop socialist forces of production. Everyone felt that the 10 tasks mentioned by Comrade Jiang Zemin should be carried out. They also felt that we must do a good job with several large, key tasks. We must carry out the policy of "coordinating the south and developing the north" [nan lian bei kai 0589 5114 0554 7030] by paying special attention to medium- and large-scale enterprises as well as the development of agriculture, and we must develop trade with the Soviet Union.

The comrades at the meeting also engaged in intensive discussions concerning strengthening of the party's development, and they felt that this issue has important implications. They all offered concrete opinions regarding how to do a good job in this area. They also had opinions about the study of the basic theory of Marxism-Leninism and Mao Zedong Thought, especially by high-level cadres.

Comrade Sun Weiben [1327 4850 2609] chaired this enlarged meeting of the Standing Committee. In attendance were the members of the provincial party committee Standing Committee, the vice governor and the members of the Provincial Advisory Commission, the members of the Standing Committee of the Provincial People's Congress, and the principal comrades in charge of the Provincial Chinese People's Political Consultative Conference.

### Heilongjiang Issues Conflict-of-Interest Regulations

90ON0166D Harbin HEILONGJIANG RIBAO in Chinese 5 Oct 89 p 1

[Article by Cong Lihang (1783 7787 2635): "Heilongjiang Province Formulates System for Avoidance of Conflicts of Interest by Cadres"]

[Text] In order to strengthen the development of leadership groups at all levels, eliminate evil practices, and provide a systemic guarantee of fairness and rectitude on the part of leading cadres at all levels, the provincial party committee recently handed down its "Temporary Methods for Avoidance of Conflicts of Interest Among Leading Party and Government Cadres."

Conflicts of interest must be avoided in three areas: job appointments, official duties, territorial affiliations.

—No cadre should serve in a given leadership group in a party or government organ at any level if that cadre has a spouse serving there; if that cadre and the spouse both have a direct blood relative there sharing a common ancestor on either side of the marriage within three generations; has a collateral relative within three generations; or has someone there related by marriage to that cadre's son or daughter.

—Any cadre who has one of the aforementioned relationships by blood or marriage to a principal leading cadre of any party committee or government organ at the municipal, prefectural, or county level, or to a

principal leading cadre in any government organ above the county level that is directly subordinate to the provincial government or provincial party committee, should not serve as the principal leader in the office of the aforementioned leading cadre's organ nor should he or she serve as the principal leader of any disciplinary inspection, organization, personnel, labor, procuracy, fiscal policy, or auditing departments that are at the same level as the organ in which the aforementioned leading cadre serves, and that have a direct leadership relationship with this organ.

- Any cadre who has one of the aforementioned relationships by blood or marriage to the second-in-command of any party committee or government organ at the municipal, prefectural, or county level, or to a leading cadre of any government organ above the county level which is directly subordinate to the provincial government or provincial party committee, shall not serve as the principal leader of any unit which has a direct leadership relationship with the aforementioned leading cadre.
- Any cadre who has one of the aforementioned relationships by blood or marriage to any leading cadre in a party committee or government organ at the municipal, prefectural, or county level, or to a leading cadre in any government organ above the county level that is directly subordinate to the provincial government or provincial party committee, shall not serve in any capacity that gives him access to confidential information, fiscal affairs chief, or leader's aide in the department where the aforementioned leading cadre serves.
- Any cadre who has one of the aforementioned relationships by blood or marriage to any leading cadre in a party or government organ above the county level that is directly subordinate to the provincial government or provincial party committee shall not work in the same unit as the aforementioned leading cadre. Those who already work in the same unit must aggressively create conditions that will allow for a gradual adjustment and resolution of the problem.
- Leading cadres in party and government organs at all levels must take the initiative to make a declaration, and withdraw from the handling of public affairs that involve oneself or anyone with whom one has the aforementioned relationships by blood or marriage, in order to avoid a conflict of interest. These public affairs include appointments and removals, job transfers, recruitment of workers and cadres, occupational changes and relocations, employment assignments for graduates, admission to the party or the league [Communist Youth League], examination and approval of petitions to travel abroad, wage increases, determination of job titles, investigation and prosecution of cases in which discipline or laws have been violated, performing audits to check for economic improprieties, dispensing awards and punishment, allocation of housing, and allocation of materials and funds. In such situations, a leading cadre shall not participate in any

manner, and shall not use his or her authority to suggest certain actions or to interfere in any way. Any decision concerning public matters that causes harm shall be null and void if it is discovered that an existing conflict of interest has not been avoided, or where there has been direct or indirect interference. In especially serious cases, offenders shall be prosecuted.

- Any principal leader of a party or government organ or disciplinary inspection department at the municipal, prefectural, county, or village level who is a native of said locality must, in principle, be transferred to another locality after serving two terms to avoid local affiliations. Those who have served as leader of any organization, personnel, labor, or supervisory department continuously for a period equivalent to two terms, or in public security organs, procuratorial organs, or the people's courts, can avoid local affiliations either by being transferred to another locality, or by being transferred to a different post within the same locality.

The new system also set forth the following principles for avoiding conflicts of interest: Implementation of the avoidance of conflicts of interest by cadres must be carried out in an aggressive, stable, planned, and step-by-step manner. The process must be divided into groups and stages. We must pay attention to the relative stability of leadership groups, as well as to the continuity of their work. When, during the course of avoidance, adjustment of cadres involves both regular cadres and leading cadres, the regular cadres are the ones who will be adjusted. In implementing cadre avoidance of conflict of interest, we must resolutely abide by the law.

### **Qiqihar City Adopts Anticorruption Measures**

90ON0166E Harbin HEILONGJIANG RIBAO in Chinese 6 Oct 89 p 3

[Article by Wang Gongchen (3769 0501 5256): "Qiqihar Makes Strides Toward Clean Government"]

[Text] In speaking of the phenomenon of corruption in society, some people grow vehement, others shake their heads and sigh, while still others feel there is no remedy for the problem. However, what we in Qiqihar have seen and heard with our own eyes and ears makes it clear to us that corruption can be controlled.

### **A Heartening Blow Is Struck**

On 3 November 1988, the municipal party committee and municipal government called a conference to deal publicly with eight violations of discipline. What was heartening was the fact that blows were beginning to be struck, at last, against every sort of corruption!

A department chief in a large lumber mill accepted 10,000 yuan in bribe money and 2,000 yuan worth of gifts, and in turn approved the allotment of 1,000 meters of lumber to a convicted swindler. A bureau-level cadre helped someone out with a job transfer in exchange for a

washing machine, electric fan, and a gold ring, the value of which totaled 1,200 yuan. A section chief in the municipal labor bureau resolved a worker's problem in which the members of his family were living apart from each other. The cost was 1,000 yuan. A deputy district head actually got his son, a criminal, into the Army! The deputy bureau chief of a district tax bureau even bought two buildings for his family of four, with a total of 124 square meters of floor space. The building was floored with natural marble, and the doors and walls were framed with aluminum alloy.

The masses were aware of these phenomena, and their hearts were filled with hatred and burning rage.

The Communist Party's Qiqihar municipal party committee began in August last year to concentrate its forces for an intense struggle against corruption. On 5 August, Cong Fukui [0654 4395 1145], the new general secretary of the municipal party committee, instructed the responsible cadres of the Discipline Inspection Committee to convene several informal talks at different levels in order to solicit opinions about how to achieve clean government. On 30 August, he personally chaired a meeting of the Standing Committee for the specific purpose of discussing issues connected with the establishment of clean government. It was decided at this meeting to quickly investigate a number of cases, call a conference to deal with the issue publicly, and to launch into the anticorruption struggle on a grand scale.

On 3 November 1988, the conference for dealing publicly with cases of discipline violations set up two central meeting sites and 14 secondary meeting sites. Nearly 5,000 cadres witnessed the conference proceedings. Of the 12 cadres involved in the eight cases that were dealt with, one cadre was a deputy division commander and five were at the bureau level. Some were expelled from the party, some were allowed to remain in the party on probation, some were given severe reprimands by the party and removed from their administrative posts, and some were demoted. One person was turned over to justice organs for prosecution.

Cong Fukui announced at the conference that this type of meeting will be continually convened in the future, and that we will under no circumstances act sympathetically toward those violate discipline and the law, nor will we treat them with leniency!

### Striking Blows Continuously

Since the first conference for dealing publicly with cases of discipline violation was convened last year on 3 November, Qiqihar's municipal party committee and municipal government have convened four more such conferences.

The second conference involved cases in which economic discipline had been violated. This meeting was directed primarily at violations by some units of the party's economic policies and regulations in the circulation sector, where they used the dual-track price policy

for scarce commodities to take advantage of their middleman position to exploit others, jack up prices, seek windfall profits, and destroy normal economic order. All the illegal profits of these units that violated discipline were turned over to the national treasury.

During the third conference, in which seven cases involving violations of discipline were dealt with publicly, special emphasis was placed upon striking a blow against corruption in discipline and inspection departments. A member of the municipal auditing bureau's leading party group and the head of the auditing affairs office solicited a 570-yuan gold ring from an enterprise in the midst of a financial audit. Later, people pressed her repeatedly to return the value of the ring, but she gave only 500 yuan, so she was given a severe internal warning by the party.

During the fourth conference, eight cases involving violations of law or discipline by party members and cadres were dealt with publicly. They involved a total of 13 people, of whom 12 were party members. On this occasion, special emphasis was placed on striking a blow against social parasites who use their authority for private advantage, or line their own pockets while pretending to carry out reform. The head of the Qiqihar Municipal Horticultural Research Institute was one of the city's famous "reformers." He was a City Super Model Worker and a Provincial Model Worker. The period during which he was in the Seedling Cultivation Contract Team was when his corruption reached a peak. Because he accepted 5,347.60 yuan in bribes, he was expelled from the party and turned over to justice organs for prosecution.

The fifth time, the cases that were publicly dealt with involved investigations by the municipal party committee or the municipal government which turned up instances in which the municipality's general development companies used public funds to remodel residences.

These five conferences, in which violations of law and discipline were dealt with publicly, were a manifestation of the determination of the municipal party committee and municipal government to strike unstinting blows against corruption.

### Shoveling Away the Soil in Which Diseases Breed

The key to establishing clean government is the implementation of a strong restraint mechanism.

Since last year, they have established a system in organs directly subordinate to the municipal government, administrative departments, oversight and law enforcement departments, and units which run public utilities, whereby 28 types of procedures shall be handled in an open manner, including urban and rural residence permits, industrial and commercial licenses, driver's license tests, hiring of cadres, recruitment of laborers, transfers of personnel from out of town which are settled through discussions, fiscal appropriations, and planned projects.

Relevant departments, enterprises, and institutions in every city district and county also set up this system for 44 types of procedures. The establishment of this system has brought those weak links that are more susceptible to corruption under oversight and control, and it has forcefully prevented the occurrence of corruption. In the past, when organs directly subordinate to the municipality hired cadres, all an individual had to do in order to get himself through the door of the municipal government of the municipal party committee was to make the proper contacts with the organizational or personnel departments and the relevant leaders. This year, organs directly subordinate to the municipality hired 128 cadres. All of them were recruited and hired in an open manner. They were rigorously tested and appraised in a fair and scientific manner. The principles of equal opportunity and success for the best, and elimination of the least capable, were given full play. Not a single person squeezed in through the back door. Problems arose easily in the past in connection with the review of petitions to change agricultural household registrations to nonagricultural registrations. This year, a system has been implemented whereby all of these "agricultural registration switches" have been reviewed in an open manner. "The three opens" have been put into effect, which refers to publicly announcing household registration requirements, registration targets, and review decisions. A list of review results is posted publicly three times during the course of the review. A total of 7,682 people applied for registration switches throughout the entire municipality.

Approval was granted to 1,936 applications, and no violations of household registration policy have been discovered.

In addition to establishing a systemic restraint mechanism, this municipality also strengthened its oversight restraint mechanism and its discipline enforcement restraint mechanism. All units directly subordinate to the municipality, all the city district and county units, and all other relevant units have formulated oversight and guarantee measures in order to guarantee implementation of the various clean government systems and promote the development of clean government. The municipal auditing bureau approached its work by strengthening internal oversight. It has established a system of making two visits per year to the units that it audits. It randomly checks the procedures followed by its auditors, subjecting them to rigorous oversight.

Industry and commerce departments, tax departments, and banks, which serve as economic levers, have established personnel inspection offices in order to strengthen oversight of personnel in their systems. The public security system has formulated its "17 yellow-flag warnings" to deal with police who violate discipline, and this has provided a uniform standard for dealing with such problems.

Municipal party committee secretary Cong Fukui stated that, "Clean government is a long-term, arduous task. Qiqihar has only taken the first steps. The most difficult and complex part of our work still lies ahead.



**KMT Provides Financial Aid to Candidates**

40050698A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 126, 7 Aug 89 pp 30-33

[Article by Wei Hung-wu (7279 3163 2976): "I Am Very Old, But I Am Very Rich—The 'Enormously Wealthy' Kuomintang (KMT), Which Is Over 90 Years Old, Distributes Wealth on a Large Scale in Every Election To Help Party Candidates of All Categories. Where Does Its Wealth Come From? How Is It Distributed? What Is the Sequela of Distributing Wealth?"]

[Text] Bribery and vote-buying are often linked to KMT candidates. Candidates of the Democratic Progressive Party (DPP) even said that the KMT has three votes: purchased votes, made-up votes, and military votes. Without these three votes, the KMT will lose for sure. In the preliminary election of the KMT, these three votes happened to be given a "preview."

**The KMT Has Three Indispensable Votes**

With regard to military votes, in this preliminary election, the military and the Huang Fuhsing KMT committees showed that the "military vote" of the KMT is indeed very powerful.

With regard to made-up votes, in recent years, the election organs tried to be neutral, but occasionally some ballots still got out, and fraud still could not be totally avoided. In this KMT intraparty preliminary election, there were numerous rumors about making up votes and casting votes in other people's names in all localities.

With regard to buying votes, after the recent preliminary election of the KMT, Li Chien-nan [7812 1696 0589], secretary of the Ilan County KMT committee, issued a "letter of resignation and criticism." The letter stated that Li Tsan-cheng [2621 6363 2052], preliminary candidate of the KMT, once asked the provincial KMT committee to give him 15 million yuan to exchange for 15,000 votes in the last election, when he was running for legislator. Sensitive people knew immediately what this money was for. Li Chien-nan's words seemed to have further confirmed the rumor about the KMT buying votes and proved that it was not just a rumor.

It was said that, on the afternoon of 2 August, at a meeting held by the KMT Central Committee to review the preliminary election, Sung Chu-yu [1345 2806 3842], secretary general of the KMT, criticized Li Chien-nan's remarks. He expressed distress and regret over this matter. He also angrily told high-ranking KMT officials at the meeting: "There is absolutely no such thing. Li Chien-nan is lying."

A KMT leader attending the meeting said that this event was actually a matter involving personal feelings between Li Tsan-cheng and Li Chien-nan.

This KMT leader also thought that there were at least two errors in Li Chien-nan's accusation. One was the question of how Li Tsan-cheng could get 15 million yuan

from the provincial KMT committee when he was running for legislator. The other was a hint that Li Tsan-cheng could have pocketed the money himself.

**Targets of Aid Are Considered on the Basis of Three Things**

This KMT leader said that if someone runs for legislator, the KMT will never give him such a huge sum of aid—15 million yuan. In some individual cases where the candidates are really too poor and have been relentlessly asking KMT committees for money, the maximum amount of aid that a legislative candidate can get is probably 5 million yuan.

In addition, he also pointed out that this money is not necessarily from KMT committees. Sometimes, money is raised through a third party, using social connections, and then given to the campaign headquarters of the candidate. Since KMT committees always have their own people in the headquarters of party candidates, it is not likely that Li Tsan-cheng could have pocketed the money himself, if there really was such money.

Besides, the election of legislators adopted the system of large electoral district. If there really was such money, it would have been used in different stations of the electoral district. Therefore, it was impossible for him to pocket the money himself.

With regard to the rights and wrongs of the Li Chien-nan incident, it is only natural that the parties involved and the KMT committee each have their own stand and argument.

However, what is worth looking into is: What kind of role does money play, after all, in the KMT-assisted election campaign? Does it become the written propaganda and organizational forces of candidates? Or does it turn directly into chips that can be exchanged for votes? How does it help candidates? What are the going rates? Is there any difference between county magistrates and city mayors and people's representatives? What is the procedure for the examination and approval of such money? Most importantly, where does the money come from?

We can tell from the remarks of a certain high-ranking KMT leader that the KMT has a set of carefully designed procedures for granting aid to candidates.

The KMT considers three things when judging whether to grant aid to a specific candidate.

**Appraisal of Actual Strength and Category of Public Office**

First, local (county and city) KMT committees will make an appraisal of the actual strength of the candidate. This includes their electoral base and financial resources. The KMT committee has to check and verify each and every source and number of votes the candidate claimed to have. In addition, the candidate also has to submit reports on financial information, including fund-raising ability and the amount and targets of fund-raising. These

reports require the signatures of the personnel concerned as guarantors. Whoever has better conditions in this regard has a better chance of winning.

A high-ranking KMT official said: "Most of those who are coming out to run know 'what is going on' and are well prepared." If the candidate is wealthy, the KMT will not grant aid.

Second, the amount of aid depends on the category of public office the candidate is running for. For people's representatives, such as legislators, national assemblymen, provincial and city council members, the maximum amount probably will not exceed 5 million yuan. It varies, of course, according to the needs of the candidate. For county magistrates and city mayors, the amount sometimes exceeds 10 million yuan.

A high-ranking KMT official pointed out, "The financial resources of the KMT Central Committee are also limited. Since county magistrates and city mayors concern local political power, we will pay attention to them and try to win them over. As for people's representatives such as legislators and provincial and city council members, frankly speaking, losing one or two make no difference at all."

He also said, "Outside interest groups also make large investments in candidates. They do not spend their money for nothing. After the candidate is elected, he will have to speak or work for them." "Especially because county magistrates and city mayors have more power and resources, more people are willing to spend money on them." This is another reason why the KMT can save money.

The third consideration is the situation of the election battle. The last stage of the election battle, namely the election eve is usually the crucial moment for deciding whether to rush aid or help a specific candidate.

#### **The Crucial Moment of Election Eve**

A high-ranking KMT leader stated that if someone is ahead or behind by 7 to 3 or 8 to 2, he probably will not get the aid. "If he is tied 5 to 5 or behind by 6 to 4 and there is still hope with some efforts, decisions will be made to rush aid to his rescue."

Whether or not one is winning in an election battle is judged based on the weekly report of election development. This is a report submitted by county and city KMT committees to the provincial KMT committee. The way to determine whether it is 7 to 3 or 5 to 5 is "to conduct an opinion poll. A poll at such a moment is usually very accurate, almost the same as the result of the vote," this leader said with great confidence.

Another high-ranking KMT official said: "If the KMT gives aid, it will do it in the last stage. It will not promise to give a certain amount of money to any candidate at the beginning because this happened once before and the result was disastrous."

He sighed, "Now KMT committees have become smarter. They will no longer take the time and energy to persuade people to run for election. Otherwise, they will be constantly harassed by those who ask for money."

Generally speaking, the campaign expenses of a KMT candidate are divided into two parts: One is the basic financial resources of the candidate and local aid; the other is the KMT support.

#### **KMT Committees Pay for Expenses of Propaganda Materials**

A high-ranking KMT leader said that approximately 90 percent of money comes from the candidate's own financial sources. KMT committees mainly help to cover the expenses of propaganda materials. He said: "During the last leg, candidates sometimes have to issue printed propaganda materials twice a week or even every other day. KMT committees may help with such expenses."

In addition, the employee expenses of the group in charge of propaganda material and the personnel and transportation expenses of temporary campaign workers may be "reported for reimbursement." Of course, such money may be used for different things. Sometimes meeting costs of campaign workers, overtime pay, meals, and cigarette money will also come from this account.

It is very difficult to verify whether or not the KMT pays for only 10 percent of the campaign expenses. Nevertheless, if the 10 percent is true, it still is a huge expenditure.

The above-mentioned high-ranking KMT official said: "Take Taipei City for instance. In the preliminary election, sending the first batch of letters alone cost 150,000 yuan. Can you guess how much it will cost throughout the whole province?" If every campaign worker gets 1,000 yuan a month from KMT aid and every major campaign center in each candidate's village receives 1,000 to 2,000 yuan in aid a month from the KMT, the total of such expenditure throughout the province will be indeed a staggering sum.

A retired high-ranking leader of the KMT Central Committee said, "There is a saying in Japanese political circles: 'Five wins and four losses.' It means that one will win if he spends 500 million yen; he will lose if he spends only 400 million yen." He thought that the going rate in Taiwan was about the same. In other words, in Taiwan "spending 100 million yuan will win for sure and spending 80 million will definitely lose." This former KMT leader especially emphasized, "Propaganda material alone costs more than 5 million."

#### **Expenses Are Examined and Approved From Higher to Lower Levels**

No matter how accurate these descriptions are, one thing we can be sure of is that KMT aid is definitely not a small sum. To give away so much money, KMT committees should naturally have an examination and approval system, which seems to be controlled mainly by the provincial KMT committee. The above-mentioned

former leader of the KMT Central Committee said, "The organizational work department of the Central KMT Committee does not have any examination and approval system of aid. It just gives it away."

Another current KMT official who is familiar with the preliminary operation of the provincial KMT committee said: "The money is calculated carefully, of course. Otherwise, the people who give out the money will not be at ease."

It is understood that the organizational work department of the KMT Central Committee will usually give the money to the provincial KMT committee, which will then allocate it according to the needs of county and city KMT committees. The final stop of the money is with the directors of public service stations (secretaries of district KMT committees), who will use the money together with the campaign headquarters of candidates. They will also conduct checks and balances with each other. They will definitely report to the province and the KMT Central Committee on where they spend their money.

A political person who is very close to Kuan Chung [7070 0022] said: "Our organization is well-planned and systematic in this regard."

Indeed, the KMT system of aid to candidates shows that the aid application is examined and approved from lower to higher levels—from candidates to county and city KMT committees and then to the provincial KMT committee; whereas expense examination and approval

is done in the reverse order—from higher to lower levels. It looks as though it is in perfect order. But a standing committee member of the KMT Central Committee, who asked not to be identified, said: "What examination and approval? The KMT does not have an auditing system."

In addition, what is noteworthy is: Does the system boasted by KMT committees really work flawlessly?

#### **Effective Use of Organizational Warfare and Hidden Crisis**

The above-mentioned former high-ranking leader of the KMT Central Committee said: "In the era of Chiang Ching-kuo, directors of the organizational work department used to report directly to the chairman on election assistance and financial affairs, without going through the secretary general. Since the secretary general of the KMT was weak, he was totally ignored in this regard."

By the same token, will the temptation of money, especially a sum as large as campaign expenses, crack the anticorruption system of the KMT?

The KMT is good at organizational warfare. This not only means that it can mobilize manpower but also refers to its great financial power and high-quality think tank. However, financial power itself is corrosive, which may cause human resources to split and the think tank to fight within itself. The "organizational warfare" boasted by the KMT actually harbors the seeds of self-destruction. The Li Chien-nan incident is only an early symptom.

## Lo Tak-shing Calls for Cooperation With Mainland

90ON0092A Hong Kong MING PAO in Chinese  
2 Oct 89 p 4

[Interview with Lo Tak-shing (5012 1795 0015), honorary secretary of the New Hong Kong Alliance, by MING PAO reporter Li Hui-ling (2621 1979 3781); date, place not given]

[Text] The New Hong Kong Alliance's proposal for a one council, two chamber system has received vigorous criticism from the public since it was announced. The thrust of the criticism of the proposed system is that it is China's plan. Lo Tak-shing, the person who suggested the plan, has for the first time responded publicly to criticism of it. He has reaffirmed that the plan did not originate with the Chinese and explained in detail the whole story of it being misunderstood.

Of all the myriad mistakes, Lo thinks the biggest of all is the misconception of Hong Kong people that China is the enemy. He urges that they rid themselves of the fantasy, otherwise Chinese-Hong Kong relations will never be smooth.

The interview is as follows:

[Li] At present, people outside your organization are very doubtful about the proposed one council, two chamber system. What are your views on this?

[Lo] When the one council, two chamber system was first proposed, those outside the alliance had but one view. They thought that the plan came from the Chinese. This rumor immediately produced feelings of defiance among Hong Kong people. I think that some of the media were quite unfair in regard to this affair.

In fact, the one council, two chamber system is definitely not a Chinese plan. We worked very hard to induce the Chinese—not just the Chinese, but also many Hong Kong drafting committees—to study this plan. Because of this, we were originally quite happy. But who would have thought that, right from the start, we would be strongly rebuked and even called a Chinese mouthpiece. This really was not fair.

[Li] Could it be that there is a problem with your sales tactics? Didn't you feel that, since a plan for a governing system would have to be accepted by the Chinese, it would have to be shown to them first and that when they approved it, you could then sell it to the Hong Kong people?

[Lo] No, I Never said that. The whole thing really happened this way. Initially, I had the idea for the plan, and, at a private occasion, when we were discussing the Basic Law, I raised it in passing with Cheng Wei-jung [6774 0251 2837] (a Chinese member of the Joint Liaison Group). But I did not formally consult with him on it. At the time Cheng didn't have any reaction. Later,

when the plan became conceptually clearer, I began to go to Beijing to solicit Chinese opinion.

However, once, in the interval, at a dinner party, Cheng asked what Ch'en Yung-ch'i [7115 3057 4388] (a member of the Business Circles Consultative Group of 89) thought of the one council, two chamber system. This was mainly because Cheng wasn't too clear in his own mind whether the plan was good or bad, so he wanted to ask someone else's opinion. Who would have thought that once Ch'en heard about it he would think it was an excellent plan? He therefore brought it up for discussion at an 89 meeting. However, since the 89 was not then in the mood to discuss a new plan, it was decided at the meeting to continue supporting their own original plan. I didn't take part in the meeting that day. Someone else told me this.

Later, at the New Hong Kong Alliance's first press conference to promote one country, two systems, a reporter asked whether this was a Chinese plan. I naturally replied that it wasn't. The reporter then asked if we had consulted with the Chinese. I factually replied that we had. After all, only if the Chinese were willing to study it would I be able to put any effort into it.

[Li] What do you mean, "If the Chinese were willing to study it?"

[Lo] At present the Basic Law (Drafting Committee) already has a governing plan. I personally do not agree with it and wanted to propose a new one. However, I didn't know what the Chinese views were on promoting a new plan. If they weren't willing to listen, why should I waste my time? This just stands to reason.

[Li] If a plan comes from the Chinese, it seems that it will cause Hong Kong people to defy it. Do you agree with this?

[Lo] Right. Hong Kong people are resistant to plans coming from the Chinese. However, this is really a pity. It's not important where a plan comes from. It's its essence that counts. The people of Hong Kong should carefully consider whether the content of a plan is good or bad and whether the plan benefits Hong Kong or not.

[Li] Why do Hong Kong people pay attention to where a plan originates?

[Lo] I think that Hong Kong now has hostile feelings toward the Chinese. There have been both remote and immediate causes for the formation of these feelings. As for the remote causes, we have to recognize that Chinese and Western cultures, socialism, and capitalism are completely unlike each other and that Hong Kong society was nurtured under the rule of English-style colonialism. This is one factor. Another is that many present Hong Kong residents fled here from the mainland. These people also feel hostility toward China. As for immediate causes, we can't deny that the 4 June incident was a huge emotional shock to the people of Hong Kong.

Nevertheless, we want to emphasize that, although the hostile feelings between China and Hong Kong have occurred quite naturally, they absolutely do not represent the true situation. China is by no means Hong Kong's enemy, nor is Hong Kong China's enemy.

[Li] Aside from resisting governing plans because of their origin, do you think that the people of Hong Kong might do something else because of their hostile feelings toward China?

[Lo] The vast majority of people in effect won't do anything. But because they do have these type of feelings, they will be prone to being used by others. This is quite natural. This is a commercial society, a free society. Sales people can even take advantage of these feelings to sell more Wu'er Kaixi T-shirts. However, what we have to watch for is these feelings being further nurtured and intensified by those who are exploiting them. It could be a never-ending circle.

[Li] Do you think that England has exploited these feelings of the Hong Kong people?

[Lo] They have. However, England has its own problems. It must justify itself to the House of Commons. Because England cannot give Hong Kong people residency rights and let them leave, it must do more things that seem to help them obtain something. In the end they probably will not succeed. They are going through the motions.

[Li] What is England trying to obtain for the people of Hong Kong? Will it accord with their interests?

[Lo] Of course it won't. For example, England is trying to get China not to station troops in Hong Kong. This is absurd. If China is Hong Kong's enemy, Hong Kong essentially cannot exist. Are we to believe that if troops are not stationed in Hong Kong, China couldn't rush them in? However, if China is indeed not Hong Kong's enemy, there is nothing wrong with stationing its troops in Hong Kong. Thus, this is merely a phony gesture that incites people's feelings.

[Li] Do you think what the House of Commons considers to be in the interests of Hong Kong is really in Hong Kong's interests?

[Lo] No, I don't. The House of Commons is too far away from Hong Kong. It definitely doesn't clearly understand the situation. It's their impression that it's wrong to be good friends with the communist party. Therefore, if England turns Hong Kong over to a procommunist government, they'll have a hard time justifying it. They hope to turn Hong Kong over to a power that opposes the communist party.

[Li] Do China and Hong Kong have any interests that are basically contradictory?

[Lo] They do. However, their identity of interests is also quite extensive. Actually, if Hong Kong people persist in

looking at China with hostility and treat all its suggestions in that way, then every plan will meet with resistance. However, if we do not treat China as the enemy and present proposals with a cooperative attitude, then it's an entirely different matter.

In fact, China and Hong Kong definitely are not enemies. The feelings of hostility between the two sides is a fantasy. Moreover, China and Hong Kong must cooperate to defend against outside pressures. These pressures will come afterward from England, the United States, Japan, Taiwan, and others. How China and Hong Kong will cooperate and get along with each other is a very difficult question. However, I hope that now everyone can together think up a way to resolve it. This is what is most important.

### Tiananmen Incident 'Shakes' Confidence in Future

40050640A Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese No 284, Aug 89 pp 3-5

[Article by Chao Wei-sheng (6392 4850 3932), lecturer in the Department of Social Work, Baptist College: "Hong Kong After the Beijing Massacre: Division and Conformity"]

[Excerpt] [Passage omitted] What will be the ultimate impact of the June 4th Massacre on transitional Hong Kong society?

Hong Kong has been regarded as a society that places most respect in the economy and, while this view is not entirely accurate, it isn't entirely groundless. In the past, many Hong Kong people appeared to be rather indifferent toward political activity which had little economic payoff. For example, reaction to development of a representative system of government, direct election of more representatives to the Legislative Council and even consultations on the Basic Law has been unenthusiastic. In the past, some demonstrations in favor of the development of a representative system of government have been considered big when more than a thousand people participated. On the other hand, from reports in the mass media, Hong Kong people also know of the situation and government reaction to democratic movements in other places in the world (such as South Korea). Yet, Hong Kong citizens have not discussed these events extensively. What has caused such a violent reaction to this democracy movement and its bloody suppression in China? What is the social significance of these reactions?

First, it cannot be overlooked that the media were very successful in reporting the true situation. Beginning with the death of Hu Yaobang in mid-April, the local media began extensive reporting of the mourning for Hu in Beijing. Then came the "Asia Bank," "rapprochement between Taiwan and the PRC," and the Soviet leader's visit to China, and the focus of the whole Hong Kong news world was China. But the development of the democracy movement was also fully exposed to the citizens of Hong Kong and even everywhere else in the

world. It could be said that Hong Kong citizens understood the development of this movement better than past democracy movements. More important, through the media, the distance between Hong Kong, on the one hand, and Beijing and Shanghai, on the other, seemed to grow suddenly smaller; Hong Kong citizens, though far away, seem to have become emotionally close to the democracy movement and the student leaders with whom Hong Kong citizens share the same identity and thoughts. Thus, although the democracy movement occurred in Beijing, it became at the same time a matter of daily concern for many Hong Kong people and this sense of involvement made Hong Kong people feel keen pain at the massacre.

Second, Hong Kong people's underlying insecurity about "one country, two systems" was completely vested in this Chinese democracy movement. Although China has all along tried to construct a foundation for acceptance of "one country, two systems" in Hong Kong, the reactions of townspeople on consultation on the Basic Law have been unenthusiastic. This indifference does not indicate "great expectations." China and Hong Kong seemed to be "strange bedfellows" as far as implementation of "one country, two systems" and relations between China and Hong Kong were concerned. In light of the current differences between the two systems, Hong Kong people are afraid of the uneasy conditions of "one country" becoming "two systems." Thus, they hope that China will become more open and more democratic so as to avoid the "two systems" which make Hong Kong unstable because of the great differences. The positive and enthusiastic response of Hong Kong people to the democracy movement in China reflected this psychology.

Third, the response of the Hong Kong citizens to this democracy movement in China was an expression of the will of the people with regard to the future pattern of rule. Although Hong Kong is not a democracy, it is extraordinarily open. The government's high degree of transparency and freedom of speech and the press make the rulers very concerned about the citizens' acceptance. In the interaction between government and society, townspeople can express their views through many channels, and the government must respond. In this democracy movement in Beijing, the large-scale citizens' demonstrations, gatherings, proclamations, and denunciations, were not just the unbosoming of feelings of discontent, but were based on the same logic and understanding expressed to Chinese authorities on the pattern of rule of the government expected by Hong Kong people—a pattern of rule based on the will of the people. This collective expression of their wishes was prolonged, in part because of what was passed on by the grapevine, such as that the Chinese Government would adopt certain measures that were in line with the will of the people and the replacement of some national leaders. Unfortunately, the Chinese Government finally responded to these expectations, but with violence, completely ignoring the will of the people. For Hong Kong

this was not only a "beautiful misunderstanding," but was simply a severe warning.

In the early period of the democracy movement, Hong Kong people adopted the attitude of observers, as they had in the past, and afterward the townspeople responded sympathetically to the democracy movement, and, in various forms, one after another spontaneously or semispontaneously participated in and supported this patriotic movement.

In the weeks-long democracy movement, a cohesive force appeared in Hong Kong society and this cohesion extended from politics to society in general. For example, in political activity, groups which in the past had never given in on the Basic Law's proposal for the system of government, unanimously affirmed demands to "accelerate establishment of a democratic form of government in Hong Kong" as though they had broken through the obstacles of their past intransigence. Among the people, employers and employees in different trades also vaguely expressed a centripetal force. This centripetal force was not only reflected in demonstrations and rallies, but also was manifested in charity bazaars, charity concerts, and various types of street fund-raising which became a vague collective inclination something like "altruism." For example, during the demonstrations, the townspeople spontaneously organized pickets and maintained order, rarely seen in a society which in the past was self-centered and emphasized individualism. If this cross-class cohesion could be strengthened and take root, it would undoubtedly be an excellent foundation for uniting society and establishing a new common understanding to greet Hong Kong's future. In the past, Hong Kong people generally believed that if Hong Kong's present style of social life continues after 1997, it would be primarily because of Hong Kong's economic accomplishments. The economy became the sole legal foundation for society to continue. This outlook influenced the acceptance or rejection by different classes of governmental models, because the different models of the governmental system not only determined the future distribution of power, but also influenced the distribution of wealth. Thus, different social classes disagreed about the distribution of wealth and power.

**A society relies on the existence of a common understanding. If it is based only on earning money, the integrity of the society will be very unbalanced and there will also be many unstable elements. Development of democracy and altruism can still become the common understanding that prolongs society, and properly regulating these underlying unstable elements enables society to develop in a stronger way.**

In addition, the Chinese democracy movement also shook the selfish thinking of Hong Kong. A past white paper on the representative system of government and even the recent discussion on the Basic Law seemed to focus on Hong Kong's selfishness, hoping to establish a democratic and economic system not subject to interference by domestic elements. This movement made Hong

Kong people unable to avoid the reality of China. How Hong Kong will coexist with China after 1997 has become a fix that will be difficult to resolve.

With the bloody suppression of the democracy movement by the Chinese authorities, unbridled arrests of dissidents, and intensified ideological control, there naturally were also corresponding echoes in Hong Kong society. For Hong Kong people, China's attitude toward the democracy movement may be a barometer for the future "one country system of government." The stronger China's government, the lower the degree of security for "one country, two systems," and the greater the Hong Kong residents' lack of confidence in the future.

The reaction of Hong Kong society to the Beijing massacre can be summed up as follows:

### **I. The Precept That "the Economy Will Save Hong Kong" Has Been Shaken**

To preserve its power, the Chinese Government abandoned the relaxation and opening up won by a decade of hard work, and again let "anticapitalism" raise its head, causing great economic losses to suppress the democracy movement and making people wonder whether or not they really had that high a regard for economic accomplishments. Thus, the assumption on which Hong Kong people have long relied that "economic accomplishments could be traded for living room" suffered a major blow.

Before the 4 June incident, many people in Hong Kong believed that Hong Kong would continue to prosper and that was the best guarantee that the social system would continue after 1997. They believed that Hong Kong people should not struggle painstakingly for democracy politically because what the Chinese considered seriously wasn't Hong Kong's democratic system, but its economic contribution.

However, from the Sino-English negotiations on this democracy movement, people have seen that each time the Chinese Government reaches a crisis, it doesn't pay much attention to economics. One wonders, in the end, for how much autonomy can Hong Kong's economic accomplishments be traded.

The economy is what Hong Kong people have put their faith in, so it is not hard to understand that this foundation has been shaken and society is thus insecure.

### **II. The Contradiction "You Don't Recognize, But That You Must Recognize in the End"**

In the transitional period of the past few years, Hong Kong society has made some preparations for return to Chinese rule. However, after this democracy movement it is hard to accept, on the one hand, a government that massacres its own people indiscriminately and the fact, on the other hand, that they must face "being subject to the rule of this government in 8 years." This contradiction between not wanting to accept, yet having to accept

has caused a general sense of loss in society. And the slowdown in economic activity fully reflected that feeling.

### **III. Cross-Class Insecurity Is Spreading**

The primary difference between this social uneasiness, which has appeared due to the China democracy movement, and past situations is that the insecurity has tended to spread across classes. For many years, those who emigrated were primarily middle- and upper-class people; as far as ordinary residents were concerned, emigration was not impossible, but, more important, they believed that as long as they worked quietly and didn't bother with politics their present lifestyle could be maintained.

However, when the precept that "the economy will save Hong Kong" was shaken, the insecurity gradually spread from the middle- and upper-classes to the ordinary residents. Recently, Singapore relaxed its immigration restrictions and that many residents "scrambled" for application forms is the best example.

However this cross-class insecurity overflows, there are really very few who can emigrate, and the overwhelming majority finally must stay in Hong Kong and it is really hard to overlook the impact that this insecurity will have on the entire society.

### **IV. The Loss of Common Understanding and Social Division**

After the domestic democracy movement in China was suppressed, an embryonic common understanding of democracy appeared briefly and withstood a serious test. The basic reason, naturally, was that Hong Kong democracy was still immature and although it had been through several years of "last-minute cramming," it still could not face up to the unbridled cruelty which came from China. **Although the loss of a common understanding of democracy could lead to an attitude of "flight when faced with disaster" among class interest groups and short-term divisions could appear in society, seen from the positive side, if the democratic awareness of the residents could be strengthened and reorganized in this period of adjustment, a stronger common understanding of democracy could be anticipated.**

What direction could Hong Kong go in the face of the above insecurity? If Hong Kong wants to continue the present system of social life under Chinese rule and strengthen the degree of democracy in society, how will this be achieved? What significance does Hong Kong people ruling Hong Kong and struggling for the right to live in England have for all this?

As far as Hong Kong people are concerned, obtaining the right to reside in England is a right and not a privilege, except that this right was taken away many years ago, and struggling to regain it is also fair and reasonable.



Opinions differ as to whether regaining the right to live in England can restore Hong Kong people's faith in the future.

Obtaining the right to live abroad undoubtedly may ensure the confidence of some Hong Kong people, but striving through a social movement to ensure the confidence of all 6 million Hong Kong residents may also generate a spirit of going through thick and thin together and may prevent social division. But striving for the right to live in England may also introduce some negative influences.

1. Striving for the right to live in England with such a high-profile strategy may intensify the awareness of "Hong Kong insecurity" with the result that it may allow a strategic defeat of "striving for the right to live in England to guarantee that Hong Kong people stay in Hong Kong." This is because, if the sense of insecurity continues to spread, Hong Kong people may have already secretly emigrated before "Hong Kong people stay in Hong Kong" is guaranteed. Thus, to reduce the negative impact, striving for the right to live abroad should be handled in a low-key fashion.

2. The awareness behind the struggle for the right to live in England is that the guarantee of Hong Kong's security is not in establishing Hong Kong and China, but in residing abroad. Leaving aside national awareness, this action may counteract the driving force of "establishing a democratic Hong Kong and China" and will have a bad influence on "renewing and rectifying a common understanding, having a foothold in Hong Kong, and promoting democratic construction in Hong Kong and China."

3. Strengthening Hong Kong people's feelings of identification with England may make it more difficult later if they want to reestablish ties and identify with China (including its government). [passage omitted]

#### **Exclusive Interview With Governor Carlos Melancia**

90ON0137A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 42, 16 Oct 89 pp 3-4

[By LIAOWANG reporter Li Ta-hung (2621 1129 1347)]

[Text] At the invitation of Chou Nan [0719 0589], vice minister of Foreign Affairs, Macao's Governor Carlos Melancia paid a visit to Beijing from 4 October to 8 October. On the evening of 5 October, Governor Melancia had a 1 and 1/2 hour exclusive interview with the LIAOWANG reporter in the Tiao yu'ai State Guesthouse and answered the following questions.

[Li Ta-hung] Mr Governor, the Chinese Government has paid a great deal of attention to your visit. Can you tell us about your achievements and your impressions from this trip?

Melancia: This has been a very successful and pleasant visit to Beijing.

During my stay in Beijing, I have held discussion sessions with the vice minister of Foreign Affairs, with the Communication and Transportation Minister Ch'ien Yung-ch'ang [6929 3057 2490], and with the Director of State Council's Hong Kong and Macao Affairs Office Chi P'eng-fei [1213 7720 7378]. I also met with Premier Li Peng. During our meetings, we reviewed and assessed various aspects of Macao's situation since the beginning of its transition. In my meetings with the Chinese leaders, both parties were pleased with the progress made so far in implementing the agenda outlined in the Macao-China Joint Communiqué since it was signed. We shared our views in many areas.

Because the Portuguese Government took a position different from other Western countries with regard to the disturbance that took place in Beijing a few months ago, the Chinese leaders expressed their appreciation for the matter. Due to our mutual efforts, the friendly cooperation between our two countries as well as our cooperation in implementing the terms of the communiqué were not affected by that disturbance. Of course, now the Western countries are also changing their stands.

Last May I visited Beijing for the first time. During this trip, I was again deeply impressed with the sincere desire of the Chinese Government to implement the terms of the Portugal-China Joint Communiqué. I have not noticed anything unusual during my stay here. It seems to me that the political situation in China is very stable.

The issue of Macao is of great importance to Portugal-China relations. Portugal and Macao will appropriately handle various aspects of Macao's transition strictly according to the principles and the terms defined in the joint communiqué.

[Li Ta-hung] Can you tell me what kind of progress has been achieved so far in the area of mutual cooperation to implement the agenda set forward in the joint communiqué?

Melancia: Both parties have achieved some remarkable cooperation during the past year or so. Since the establishment of the Portugal-China Joint Group for Communication last January, both sides have exchanged views on a broad range of issues anticipated for Macao's transition. And we shared our opinions on those issues. The Chinese side has provided quite adequate cooperation in resolving many of Macao's transitional problems. For example, our Joint Group on Land Use set aside roughly 200 acres of land for the special purpose of constructing Macao's International Airport. In a similar manner, the joint group also set aside about 38 acres of land for the construction of the Kowloon-Macao deep-water port. Currently, both sides are exchanging views on issues on how to enroll Macao as an associate member in international maritime organizations as well as how to establish Macao as an independent negotiating party in tariff and trade agreements.

Of course, I am not saying that there are absolutely no obstacles at all in Macao's transitional period. However, I do believe that these obstacles can be overcome by mutual effort to vigorously pursue cooperation between us. I hope that, by looking back on our past cooperation and experience, we will have more confidence in each other and develop a better understanding of each other's views so that we can have a bright future.

[Li Ta-hung] Since the beginning of the transition, what has been accomplished so far to adapt language and laws to native standards, and to utilize local human resources for civil service posts?

Melancia: The Macao Government is very concerned with these issues and has been working very hard on them. Our Joint Group for Communication has also met many times in order to discuss these issues. We have come to some common ground.

The issues of how to adapt language and laws to native standards and how to utilize local human resources for civil service are very complicated. A great deal of work needs to be done so that these problems can be gradually resolved.

In order to have a local staff for civil service, the Macao Government had bought out the University of East Asia even before the joint commune became effective, as an initial step toward training human resources needed for Macao. Because the government has taken appropriate measures, the enrollment of native students at the University of East Asia has increased from 157 in 1987 to the current enrollment of 1,390. While the university continues to enroll undergraduate students, it now offers new programs in law and public administration. The university is planning to offer more programs in other fields as well, such as civil engineering, medicine, and nursing. Most of the instructional media will be bilingual so it can meet local needs. Last March the Macao Government also established a new set of degree standards by which the degrees earned at institutions outside Macao and at non-state-run institutions are also recognized. In addition, the government has decided to hire locals for its high-level auxiliary posts.

Overall, on the issue of replacing civil service personnel with locals, we will try our best to put the plan into practice rather than merely being armchair strategists.

In order to officialize the status of the Chinese language, the Macao Government issued a new decree last January for the use of Chinese language in government documents. From now on, all legislative bills will be written in both Portuguese and Chinese. And the use of both languages is required for all laws and decrees issued by the state as well as for various forms printed by the government. Communication between the citizens and the government can also be conducted in both Portuguese and Chinese. In this way, the status of the Chinese language as an official medium will gradually be able to come close to that enjoyed by Portuguese.

At the same time, both sides have come to agreement in dealing with issues such as adapting laws to meet local standards and rendering existing laws into Chinese.

[Li Ta-hung] What is your opinion of Macao's Basic Law that is currently in the process of being drafted?

Melancia: The issue of how to draft the Basic Law rests with the Chinese Government. I hope that all sectors of the society in Macao will follow the Basic Law with interest, as such an issue bears a great deal of importance to Macao.

I have noticed that five of the 10 vice chairmen of the Committee for Drafting the Basic Law of the Projected Macao Special Administrative Region come from Macao. These five vice chairmen were either born in Macao or have been longtime residents there. Among the 19 members of the Drafting Committee who come from Macao, two are Portuguese-blood Macao residents. One of them is the incumbent chairman of Macao's Legislative Committee, Sung Yu-sheng [1345 3768 3932] himself. This arrangement reflects the intention of the Chinese Government to have all sectors of society represented in the Drafting Committee so that everyone's opinion will be heard. The majority of the 60-member Advisory Committee on Drafting the Basic Law formed last May were born in Macao and they are looked upon as representatives of various circles of Macao. Based on these facts, I am confident that these people are more than capable of making special and positive contributions to the drafting of the Basic Law and making sure that it embodies Macao's own characteristics.

[Li Ta-hung] In what way will Macao develop its economy in the direction of pluralism and internationalism during the transition?

Melancia: Economic development has been excellent since the beginning of the transition. Nevertheless, we must take into consideration the stability of Macao's economic development not only in the transition period, but also in the posttransition period after 1999. To secure this kind of stable economic development, we must put emphasis on capital construction projects.

Due to its past concentration on textile and manufacturing industries, Macao consequently lacked the kind of economic independence enjoyed by Hong Kong. But I believe that when Macao's international airport and deepwater port are completed, however, the economy will have major development.

Besides the airport and deepwater port, Macao is also going to build a new town of 150,000 residents on Iiha da Taipa Island. A new industrial area will be created around the causeway between the two islands. Thus, Macao will have a structurally sound overall arrangement. The second bridge between Macao and Iiha da Taipa, which is estimated to have a construction cost of 400 million patacas, will provide a four-lane traffic flow as well as a direct connection with Chu-hai City.

These large-scale construction projects will improve Macao's external transportation, import, and export capacity as well as its harbor's cargo handling capacity. These projects will also make Macao less dependent on water and air transportation with Hong Kong. Because of these projects, Macao's industry, tourist-related industry, and foreign trade are expected to have rapid development. Macao's economy will be able to stand on its own feet and become more competitive in international markets. Further improvement of investment conditions will attract additional foreign capital to the region, which will, in turn, accelerate Macao's economic development.

[Li Ta-hung] What steps will Macao take to raise the level of its education and culture, and to improve its medical facilities and social welfare during its transition?

Melancia: The current large-scale projects are organized primarily by specialized companies in their own respective industries. Government funding composes only 20 percent to 25 percent of the construction capital. Therefore, the Macao Government will be more than able to maintain a balanced budget and allocate enough money to improve the region's education as well as its medical facilities and residential conditions.

Macao is going to work very hard to build a free, compulsory education system. In the next 3 years it will provide a 9-year, free, compulsory education system. Five years from now it will provide a 12-year, free, compulsory education system.

With regard to medical facilities, a new state hospital, Mountain Top, which is scheduled to be in operation next November, will triple the number of hospital beds in Macao. This hospital will provide 14 different kinds of specialized modern clinical services. The government is also planning to make improvements on the Ching-hu hospital so that the two hospitals will be able to supplement each other's medical services. When this plan is

accomplished, Macao's medical facilities will reach the level of Singapore and Hong Kong.

In the area of social welfare, the Macao Government is trying to improve its citizens' residential conditions as soon as possible. It is estimated that about 8,000-10,000 residents have poor living conditions in Macao now. Therefore, new residential buildings are needed for those living in poor conditions. Last year, 800 housing units were built. There are plans to build a total of 8,000 housing units in the next 5 years.

By the middle or the end of 1993, when the Macao International Airport is put into operation, Macao's plan for improvements in its educational system, medical facilities, and residential conditions will also be accomplished. Economic development and social stability of the region are the initial reason as well as the final goal of these plans.

[Li Ta-hung] How would you view the future of economic and trade cooperation between Macao and the mainland?

I think that there is a very bright future for economic and trade cooperation between Macao and the mainland. As Macao gradually improves its capital construction and increases its economic independence, its economic and trade relations with the mainland will have significant expansion, especially with Guangdong Province.

The United States, Western Europe and Japan are the current major export markets for Macao. In comparison, China is not an important economic and trade partner. I hope that this situation will be drastically changed in the near future. Minister Ch'ien Yung-ch'ang [6929 3057 2490] told me this noon that China will build a highway between Chu-hai and Guangzhou after the construction for the Macao International Airport is completed. There is no doubt that this highway will increase the economic cooperation between Macao and the mainland.

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